

BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:

NORTH SHORE GAS COMPANY

Proposed general rate increase)No. 12-0511
for gas distribution services)
(Tariffs filed July 31, 2012))

THE PEOPLES GAS, LIGHT & COKE
COMPANY

Proposed general rate increase)No. 12-0512
for gas distribution services)
(Tariffs filed July 31, 2012))

Chicago, Illinois
February 7th, 2013

Met, pursuant to notice, at 10:00 a.m.

BEFORE :

MR. GLENNON P. DOLAN, Administrative Law Judge
MS. SONYA J. TEAGUE, Administrative Law Judge
APPEARANCES:

ILLINOIS COMMERCE COMMISSION

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1		I	N	D	E	X	
2					Re-	Re-	By
	Witnesses:	Direct	Cross	direct	cross		Examiner
3	John Hengtgen	536					
			543				
4			545				
			547				
5			569				
			575				
6	William Johnson	605					
			610				
7	Brett Seagle	611					
			614				
8	Bonita Pearce	633					
			637				

9							
10							
			E	X	H	I	B
			I	B	I	T	S
11							
	Number		For	Identification		In	Evidence
12							
	NS Exhibit No. 7.0			536			542
13							
	PGL Exhibit No. 7.0			537			542
14							
	NS Exhibit No. 19.0			538			542
15							
	NS Exhibit No. 27.0			539			542
16							
	NS Exhibit No. 43.0			540			542
17							
	Staff Exhibit No. 10.0			544			544
18							
	Staff Exhibit No. 11			546			547
19							
	AG Exhibit No. 16			550			568
20							
	AG Exhibit No. 17			561			568
21							
	AG Exhibit No. 18			567			568

22

1	City Exhibit No. 1-2	575	575
2	Staff Exhibit No. 8.0	606	608
3	Staff Exhibit No. 17.0	606	608
4	NG Exhibit No. 10	608	609
5	Staff Exhibit No. 6.0	612	614
6	Staff Exhibit No. 16.0	612	614
7	NS PGL Exhibit No. 11	629	632
8	NS PGL Exhibit No. 12	630	632
9	NS PGL Exhibit No. 13	631	632
10	Staff Exhibit No. 4.0	634	636
11	Staff Exhibit No. 14.0	634	636
12	NS PGL Exhibit No. 14	637	637
13	Staff Exhibit No. 19-20	647	649
14	AG Exhibit No. 2.0	649	649
15	AG Exhibit No. 5.0	649	650
16	AG Exhibit No. 3.0	651	651
17	AG Exhibit No. 6.0	651	651
18	NS PGL Exhibit No. 15	653	654
19	NS PGL Exhibit No. 35.0	654	655
20	Staff Exhibit No. 1.0, 11.0	656	658
21	Staff Exhibit No. 9.0	657	658
22	Staff Exhibit No. 22.0	658	658

1	Staff Exhibit No. 19.0	659	659
2	Staff Exhibit No. 21.0	659	660
3	Staff Exhibit No. 7.0	660	660
4			
5			
6			
7			
8			
9			
10			
11			
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14			
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1 JUDGE TEAGUE: Pursuant to the
2 direction of the Illinois Commerce Commission, I
3 now call Docket No. 12-0511 and 12-0512. North
4 Shore and Peoples Gas, Light & Coke Company.
5 These matters concern proposed general rate
6 increases for gas distribution service.

7 Will the parties please enter
8 their appearances for the record?

9 MR. FEELEY: Representing the staff
10 of the Illinois Commerce Commission, John Feeley,
11 Angelique Palmer, Nicole Luckey and Jessica
12 Cardoni, Office of General Counsel, 160 North
13 LaSalle Street, Suite C-800, Chicago, Illinois
14 60601.

15 MR. O'BRIEN: On behalf of the
16 People of the State of Illinois, Karen Lusson,
17 L-U-S-S-O-N, Timothy O'Brien, Office of the
18 Illinois Attorney General, 100 West Randolph,
19 Floor 11, Chicago, Illinois 60601.

20 MS. HICKS: On behalf of the
21 Citizens Utility Board, Christie Hicks and Julie
22 Soderna, 309 West Washington, Suite 800, Chicago,

1 Illinois 60606.

2 MR. REDDICK: Appearing for the City
3 of Chicago, Conrad R. Reddick, 1015 Crest Street,
4 Wheaton, Illinois 60189 and Diane Pezanoski,
5 Deputy Operations Counsel, 30 North LaSalle
6 Street, Suite 1400, Chicago 60602.

7 MR. MARGOLIN: Appearing on behalf
8 of Interstate Gas Supply of Illinois, Inc., Adam
9 T. Margolin, Christopher N. Skey and Christopher
10 J. Townsend of Quarles & Brady, 300 North LaSalle,
11 Chicago, Illinois 60654.

12 MS. KLYASHEFF: Appearing for North
13 Shore Gas Company and The Peoples Gas, Light &
14 Coke Company, Mary Klyasheff, 130 East Randolph,
15 Chicago, Illinois 60601.

16 MR. EIDUKAS: Also appearing on
17 behalf of North Shore Gas Company and The Peoples
18 Gas, Light & Coke Company, Theodore T. Eidukas,
19 E-I-D-U-K-A-S, of the law firm of Foley & Gardner,
20 LLP, 321 North Clark Street, Suite 2800, Chicago,
21 Illinois 60654.

22 MS. SCARSELLA: On behalf of North

1 Shore and Peoples Gas, Carla Scarsella and John
2 Ratnaswamy of the law firm of Rooney, Rippie &
3 Ratnaswamy, LLP, 350 West Hubbard Street, Suite
4 600, Chicago, Illinois 60654.

5 JUDGE TEAGUE: Okay. Those are all
6 the appearances for today?

7 MS. SCARSELLA: Yes.

8 JUDGE TEAGUE: Let the record
9 reflect there are no more appearances for today.
10 Before we go to the first witness, I'm going to
11 turn to the motion to strike certain surrebuttal
12 testimony of Peoples Gas, Light & Coke Company and
13 North Shore Gas Company. We're going to deny this
14 motion and let the testimony in, but of course
15 testimony will be given the appropriate -- the
16 weight we deem appropriate.

17 JUDGE DOLAN: Just so the parties
18 are aware, we do have -- we could possibly have a
19 couple of questions for Mr. Hengtgen if it's not
20 covered by the other parties just to let you know
21 that.

22 JUDGE TEAGUE: Okay. Let's turn to

1 the next witness. Do you have any questions?

2 MR. FEELEY: Just with regard to
3 your ruling, staff in its response had stated that
4 if the testimony came in that it would request
5 opportunity to file surrebuttal testimony updating
6 schedules of witnesses that were impacted by that
7 testimony. Did your ruling address that?

8 JUDGE TEAGUE: Sorry about that.
9 Actually, yes, we're going to grant leave for
10 actually any party that would like to file
11 surrebuttal testimony in response to the update.

12 MR. FEELEY: All right. Thank you.

13 MS. LUSSON: Your Honor's, when
14 would that be due? Prior to the cross date that
15 was selected or in the next few days?

16 JUDGE TEAGUE: Let's do it by
17 Monday. Monday the 11th.

18 MS. LUSSON: Just to be clear then.
19 The company would not get an opportunity to then
20 comment on anything we said, would they?

21 MS. SCARSELLA: I would hope we'd
22 have an opportunity to cross whoever files

1 testimony.

2 JUDGE DOLAN: I was going to say
3 we'll have leave to file. I guess if you do file,
4 then we'll have, you know, the staff witnesses on
5 Wednesday afternoon, but we'd also have to make
6 your witnesses available if they had cross.

7 MS. LUSSON: I'm going to go out on
8 a limb and predict that we probably won't file
9 surrebuttal testimony on this because it's the
10 companies burden of proof, but just in case we
11 appreciate the opportunity.

12 JUDGE DOLAN: Okay. No problem.

13 JUDGE TEAGUE: Thank you. You can
14 proceed.

15 MS. SCARSELLA: Peoples Gas and
16 North Shore calls John Hengtgen.

17 WHEREUPON:

18 JOHN HENGTGEN
19 called as a witness herein, having been first duly
20 sworn, deposeth and saith as follows:

21

22

1 D I R E C T E X A M I N A T I O N

2 BY MS. SCARSELLA

3 Q. Mr. Hengtgen, can you state your
4 name for the record and spell your last name?

5 A. John Hengtgen, H-E-N-G-T-G-E-N.

6 Q. Who is your employer and what is
7 your business address?

8 A. My employer is Stafflogix, Corp and
9 my business address is 130 East Randolph, Chicago,
10 Illinois.

11 Q. And your position?

12 A. I'm a consultant.

13 Q. Before you is a document that has
14 been marked for identification purposes NS Exhibit
15 7.0 with Attachment 7.1 through 7.3 and is
16 entitled The Direct Testimony of John Hengtgen.
17 Was that document prepared by you or under your
18 direction and control?

19 A. Yes, it was.

20 (Document marked as NS Exhibit
21 No. 7.0 for identification.)

22

1 BY MS. SCARSELLA:

2 Q. Also before you marked for
3 identification purposes is PGL Exhibit 7.0 with
4 Attachment 7.1 through 7.3, which is entitled The
5 Direct Testimony of John Hengtgen. Was this
6 document prepared by you or under your direction
7 and control?

8 A. Yes.

9 (Document marked as PGL Exhibit
10 No. 7.0 for identification.)

11 BY MS. SCARSELLA:

12 Q. Do you have any additions or
13 corrections to your direct testimony?

14 A. No, I do not.

15 Q. Subject to two revisions made in
16 later testimony, is the information contained in
17 your direct testimony true and correct to the best
18 of your knowledge?

19 A. Yes.

20 Q. If I were to ask you the same
21 questions as set forth in your direct testimony,
22 would your answers be the same today?

1 A. Yes.

2 Q. Also before you is what has been
3 marked for identification purposes as NS PGL
4 Exhibit 19.0 with Attachments 19.1N, 19.3N, 19.1P,
5 19.2P revised, 19.3P and 19.4P. This is entitled
6 The Supplemental Direct Testimony of John
7 Hengtgen. Was this document prepared by you or
8 under your direction and control?

9 A. Yes.

10 (Document marked as NS PGL
11 Exhibit No. 19.0 for
12 identification.)

13 BY MS. SCARSELLA:

14 Q. Do you have any additions or
15 corrections to your supplemental direct testimony?

16 A. No.

17 Q. Subject to any revisions made in
18 later testimony, is the information contained in
19 your supplemental direct testimony true and
20 correct to the best of your knowledge?

21 A. Yes.

22 Q. If I were to ask you the same

1 questions today as set forth in your supplemental
2 direct testimony, would your answers be the same?

3 A. Yes.

4 Q. Your rebuttal testimony -- I'm going
5 to try to do this without showing everybody I can
6 count to 14. So let's give it a whirl. Also
7 before you marked for identification purposes is
8 NS PGL 27.0 with Attachments 27.1N, through
9 27.10N, 27.12N, 27.13N, 27.14N, 27.1P through
10 27.14P, which is entitled The Rebuttal Testimony
11 of John Hengtgen. Was this document prepared by
12 you or under your direction and control?

13 A. Yes.

14 (Document marked as NS PGL
15 Exhibit No. 27.0 for
16 identification.)

17 BY MS. SCARSELLA:

18 Q. Do you have any additions or
19 corrections to your rebuttal testimony?

20 A. No.

21 Q. Subject to any revisions made in
22 your surrebuttal testimony, is the information

1 contained in your rebuttal testimony true and
2 correct to the best of your knowledge?

3 A. Yes.

4 Q. If I were to ask you the same
5 questions as set forth in your rebuttal testimony,
6 would your answers be the same today?

7 A. Yes.

8 Q. Finally before you marked for
9 identification purposes is NS PGL 43.0 with
10 Attachments 43.1N, 43.2N, 43.4N through 43.8N,
11 43.1P through 43.8P, which is entitled The
12 Surrebuttal Testimony of John Hengtgen. Was this
13 document prepared by you or under your direction
14 and control?

15 A. Yes.

16 (Document marked as NS PGL
17 Exhibit No. 43.0 for
18 identification.)

19 BY MS. SCARSELLA:

20 Q. Do you have any additions or
21 corrections to your surrebuttal testimony?

22 A. No.

1 Q. Is the statements made in your
2 surrebuttal testimony true and correct to the best
3 of your knowledge?

4 A. Yes.

5 Q. If I were to ask you the same
6 questions today as set forth in your surrebuttal
7 testimony, would your answers be the same?

8 A. Yes.

9 MS. SCARSELLA: Your Honor's, at
10 this time, I would like to move into the record NS
11 Exhibit 7.0 with Attachments 7.1 through 7.3, PGL
12 7.0 with Attachments 7.1 through 7.3, NS PGL
13 Exhibit 19.0 with Attachments 19.1N, 19.3N, 19.1P,
14 19.2P revised, 19.3P and 19.4P, NS PGL Exhibit
15 27.0 with Attachments 27.1 through 27.10N, 27.12N,
16 27.13N, 27.14N, 27.1P through 27.14P, NS PGL
17 Exhibit 43.0 with Attachments 43.1N, 43.2N, 43.4N
18 through 43.8N, 43.1P through 43.8P.

19 JUDGE TEAGUE: Are there any
20 objections?

21 MS. LUSSON: Your Honor's, we would
22 renew our objection with the understanding that

1 you've denied our motion, but we would renew our
2 objection for the record to NS PGL Exhibit 46.0
3 page 27 lines 870 through 871 as well as that
4 portion of Mr. Hengtgen's Exhibit 43.2 that
5 references the 2012 NOL amounts.

6 JUDGE TEAGUE: Okay. The following
7 exhibits will be entered into the record. NS
8 Exhibit 7.0, 7.1 through 7.3, PGL Exhibit 7.0, 7.1
9 through 7.3, NS PGL Exhibit 19.0, 19.1N, 19.3N,
10 19.1P, 19.2P revised, 19.3P, 19.4P as well as NS
11 PGL 27.0 along with 27.1N through 27.9N and 27.10N
12 through 27.14.

13 JUDGE DOLAN: There is no 11.

14 JUDGE TEAGUE: I'm sorry.
15 Correction. I'll start again. NS PGL 27.0, 27.1N
16 through 27.9N and then 27.10N through 27.14N.

17 JUDGE DOLAN: There is no 11. You
18 said 10 through 14.

19 JUDGE TEAGUE: I'll start again.
20 27.10, 27.12N, 27.13N, 27.14N and 27.1P through
21 27.10P, 27.11P through 27.14P, NS PGL Exhibit
22 43.0, 43.1N through 43.8N, 43.1P through 43.8P.

1 MS. SCARSELLA: Your Honor, if I
2 could just note, there is no NS PGL Exhibit 43.3N.

3 JUDGE TEAGUE: Thank you. That
4 correction is noted.

5 MR. FEELEY: I can go first.

6 JUDGE DOLAN: Staff is going first.
7 Okay.

8 C R O S S E X A M I N A T I O N

9 BY MR. FEELEY

10 Q. Mr. Hengtgen, my name is John Feeley
11 and then my co-counsel Angelique Palmer has some
12 questions for you.

13 A. Good morning.

14 Q. My questions are just dealing with
15 your surrebuttal testimony at lines 572 through
16 580. Your Honor's, can I approach the witness?

17 JUDGE DOLAN: Yes.

18 BY MR. FEELEY:

19 Q. Mr. Hengtgen, I've handed to you a
20 document that I've marked for identification as
21 ICC Staff Cross Exhibit No. 10.

22

1 (Document marked as Staff
2 Exhibit No. 10 for
3 identification.)

4 BY MR. FEELEY:

5 Q. It's Peoples Gas, Light & Coke
6 Company's response to staff data requests BAP
7 26.01, do you have that in front of you?

8 A. Yes, I do.

9 Q. And my understanding is that you're
10 the person responsible for the response to that
11 request, is that correct?

12 A. That's correct.

13 MR. FEELEY: Your Honor's, at that
14 time, staff would move to admit into evidence ICC
15 Staff Cross Exhibit 10, PGL's response to BAP
16 26.01.

17 JUDGE TEAGUE: Are there any
18 objections?

19 MS. SCARSELLA: No objection.

20 JUDGE TEAGUE: Then Staff's -- ICC
21 Staff Cross Exhibit 10 is admitted into evidence.

22

1 BY MR. FEELEY:

2 Q. All right. Mr. Hengtgen, do you
3 agree that the deferred income tax assets should
4 be adjusted downward for both Peoples Gas and
5 North Shore Gas for the federal income tax effect
6 of the full amount of revenue increases ordered by
7 the Commission?

8 A. Yes.

9 MR. FEELEY: That's all I have for
10 you. Ms. Palmer has a few questions. Thank you.

11 MS. PALMER: Good morning, your
12 Honor's. May I approach?

13 C R O S S E X A M I N A T I O N

14 BY MS. PALMER

15 Q. Mr. Hengtgen, I've handed you what
16 has been marked for identification at ICC Cross
17 Exhibit 11. It is the Peoples Light & Coke -- I'm
18 sorry. Peoples Gas, Light & Coke Company's
19 Response to DR DLH 3.01. Did you prepare this
20 document?

21 A. Yes, I did.

22

1 (Document marked as ICC Exhibit
2 No. 11 for identification.)

3 BY MS. PALMER:

4 Q. It also includes Attachments 1 and
5 2. Can you verify that you have that in hand?

6 A. Yes, it looks complete.

7 Q. Are the responses in this document
8 true and accurate to the best of your knowledge?

9 A. Yes, they are.

10 Q. If you were asked the same questions
11 today, would your responses be the same?

12 A. Yes, they would. There's really not
13 much in the way of questions here. There's
14 just pretty much exhibits, but I think the
15 exhibits are -- the attachments are accurate.

16 MS. PALMER: Your Honor's, I now
17 move for admission of ICC Staff Cross Exhibit 11,
18 which includes the Peoples Gas, Light & Coke
19 Company's response to DLH 3.01 and Attachments 1
20 and 2 into evidence.

21 JUDGE TEAGUE: Are there any
22 objections?

1 MS. SCARSELLA: No objection.

2 JUDGE TEAGUE: Okay. Then ICC Staff
3 Cross Exhibit 11 is admitted into evidence.

4 MS. LUSSON: May I proceed?

5 JUDGE TEAGUE: Yes.

6 C R O S S E X A M I N A T I O N

7 BY MS. LUSSON

8 Q. Good morning, Mr. Hengtgen.

9 A. Good morning, Ms. Lusson. How are
10 you?

11 Q. Good. I'd like to turn your
12 attention to your surrebuttal testimony page five.
13 Looking at pages five through nine you respond to
14 staff and intervener proposals -- or rejection of
15 the companies proposal to incorporate a year-end
16 rate base for purposes of computing the revenue
17 requirement in this case, is that right?

18 A. You say five through nine?

19 Q. Yes. Actually, it goes through
20 almost 11.

21 A. Yes.

22 Q. You would agree, wouldn't you, no

1 other party in this docket has agreed with Peoples
2 Gas and North Shore Gas that year-end rate base is
3 appropriate for purposes of setting rates in this
4 docket?

5 A. That's correct.

6 Q. Now, turning to page ten of your
7 surrebuttal line 217, there you indicate that the
8 utilities are included what you call an attempt at
9 compromise, an alternative in their surrebuttal
10 exhibits which calculates September 30th, 2013,
11 rate base amount for the Commission to consider,
12 do you see that?

13 A. Yes, I see the Q and A that you're
14 referring to.

15 Q. And is it correct that this is the
16 first time the companies referenced a September
17 proposal and that up to this point surrebuttal
18 testimony of the company was proposing a year-end
19 rate base?

20 A. That's correct.

21 Q. And would you agree that the new
22 alternative proposal introduces an entirely new

1 set of rate base numbers that these utilities have
2 not previously filed in these documents?

3 A. It's a new average type calculation
4 based upon the same rate base numbers at 12-3112
5 and 12-3113. It's a new calculation. The
6 underlying numbers have not changed.

7 Q. And the new calculation -- and I'll
8 represent the new plant additions; accumulated
9 depreciation, deferred income taxes and all other
10 elements of your new alternative rate base through
11 September 30, is that right?

12 A. It calculates pretty much what I
13 said. It's approximates a September 30th, 2013,
14 average compared to what the interveners are
15 proposing, which is a simple average of the
16 calendar year, which is a June 30th average.

17 Q. When you say it approximates a
18 September 30th rate base number, why do you use
19 the word approximate as opposed to calculates? Is
20 there some -- because of the forecasted nature of
21 it or why approximately?

22 A. No. It's just the nature of

1 averaging so to speak. I mean, the average rate
2 base which approximates a June 30th is just a
3 simple average calculation. It's 50 percent of
4 the change from the beginning of the year to the
5 end of the year. This calculation is nothing more
6 than 75 percent of the change from the beginning
7 of the year to the end of the year.

8 Q. So for purposes of approximating,
9 you're incorporating those forecasted numbers
10 through September 30th?

11 A. I don't quite view it that way, but
12 it's just a calculation of a different sort of
13 average for a particular time period.

14 Q. I want to show you what I've marked
15 as AG Cross Exhibit 16.

16 (Document marked as AG Exhibit
17 No. 16 for identification.)

18 BY MS. LUSSON:

19 Q. Mr. Hengtgen, do you recognize AG
20 Cross Exhibit 16 to be the companies response to
21 AG data request 22.10?

22 A. Yes.

1 Q. And was this response prepared by
2 you or under your supervision?

3 A. Yes, it was.

4 Q. And this response asks a series of
5 questions about that September 30th alternative
6 rate base calculation, is that right?

7 A. Yes. That's what it appears to be,
8 yes.

9 Q. Mr. Hengtgen, I now want to turn to
10 the issue of the companies agreement with the City
11 of Chicago and the issue of pass-through taxes and
12 how it affects the cash working capital
13 calculation. If you could turn to page 19 of your
14 surrebuttal testimony, line 430.

15 A. I'm there.

16 Q. All right.

17 A. You said 430?

18 Q. Yes.

19 A. Okay.

20 Q. You state that "The utilities pay
21 the taxes based on estimated collection
22 percentages based on an agreed upon formula

1 pursuant to the agreement with the city," do you
2 see that?

3 A. Yes.

4 Q. And you indicate that the lead lag
5 study uses those estimated collection percentages
6 in order to calculate the lead values, is that
7 correct?

8 A. That is correct.

9 Q. Is it also correct that you
10 calculated lead values for the remittance of
11 pass-through taxes based upon the, quote, agreed
12 upon, end quote -- agreed upon formula, end quote,
13 that is referenced?

14 A. Could you just repeat that? You put
15 a word in there --

16 Q. Is it correct that you've calculated
17 lead values for the remittance of pass-through
18 taxes based upon the agreed upon formula that the
19 utilities have with the city?

20 A. That's correct.

21 Q. Now, would you agree that AG witness
22 Brosch has adopted the same payment lead days for

1 pass-through taxes that you calculated again based
2 upon that agreed upon formula with the city?

3 A. That is correct.

4 Q. Turning to line 438 on the next
5 page, you indicate that "In other words, the
6 utilities lead calculation in effect includes a
7 lag period," do you see that?

8 A. Yes.

9 Q. Do you mean to imply by this that
10 your calculated payment lead day values in
11 accordance with the agreement with the city
12 somehow requires or mandates that the Commission
13 assign a revenue lag to pass-through taxes?

14 A. No, I'm not making that assertion at
15 all.

16 Q. Does the agreement with the city do
17 anything other than define how and when the
18 utilities are to remit pass-through taxes to the
19 city?

20 A. That's not necessarily exactly what
21 the agreement indicates.

22 Q. How would you -- what is incorrect

1 about that statement? What else does this --

2 A. The agreement with the City of
3 Chicago is an agreement that provides a formula to
4 determine the amount of collections, estimated
5 collections. Over a period of time, those
6 estimated collections then are used to make the
7 proper required payments to the city.

8 Q. In your exhibit -- if you could turn
9 to that agreement, Exhibit 7.3.

10 A. I think it's attached to both, but
11 it's the same agreement. I'm there.

12 Q. Does Section 1 of that agreement
13 address payment of occupation tax?

14 A. Yes, it does.

15 Q. And then Section 2 addresses
16 collection and remittance of use tax?

17 A. Yes, it does.

18 Q. Section 3 lump sum adjustments to
19 bad debt reserves?

20 A. Yes.

21 Q. Section 4 provides for a transition
22 period?

1 A. Yes.

2 Q. And then if you can turn to page
3 eight where the monthly taxes billed to customers
4 are translated into the calculated monthly tax
5 liability. In this case, this is for an
6 illustrative August tax liability period, is that
7 right?

8 A. Yes.

9 Q. Now, is it your testimony that this
10 agreement with the city obligates the Commission
11 to assign a revenue collection lag to the cash
12 that is collected and used by the utility to pay
13 taxes to the city?

14 A. Could you repeat that?

15 Q. Is it your testimony that this
16 agreement with the city obligates the Commission
17 to assign a revenue collection lag to the cash
18 that is collected and used by the utility to pay
19 taxes to the city?

20 A. No, I don't agree with that.

21 Q. So the revenue lag is something you
22 imputed in your cash working capital lead lag

1 study, is that right?

2 A. That is correct.

3 Q. Now, turning to page 20, line 454.

4 A. Which testimony?

5 Q. I'm sorry. All my questions will be
6 dealing with this surrebuttal testimony.

7 A. This was attached to my direct.

8 Q. Except for that.

9 MS. SCARSELLA: I'm sorry. What
10 lines again?

11 MS. LUSSON: 454.

12 BY MS. LUSSON:

13 Q. There you state "The most important
14 incorrect statement made by Mr. Brosch is on page
15 59" and then you identify the lines where he
16 states "This fact causes Peoples Gas to experience
17 longer lead days for pass-through taxes than other
18 Illinois utilities which allows the company to
19 hold the cash for these pass-through taxes longer
20 than would appear to be possible under the
21 applicable statutory payment due dates for such
22 tax taxes." Is that your testimony?

1 A. That is.

2 Q. Now, the utilities do not hold these
3 amounts for longer than the statutory -- okay. So
4 in your view that statement is not accurate, is
5 that your testimony?

6 A. That is correct.

7 Q. Now, do you by chance have with you
8 Mr. Brosch's rebuttal testimony?

9 A. I have some of it. I believe I
10 probably have the section that you're referencing.

11 Q. Do you have by chance page 58 of
12 that testimony?

13 MS. SCARSELLA: I have a copy. I
14 can hand it to him, your Honor's.

15 BY THE WITNESS:

16 A. I do have page 58.

17 BY MS. LUSSON:

18 Q. If you look at lines 1286 through
19 1298, do you see that? Take a moment to look at
20 that.

21 A. Through 1298?

22 Q. Yes.

1 A. Yes, I see that.

2 Q. Where you were quoting from the
3 testimony that we just -- that I just referenced
4 on page 20, line 454 where you were quoting from
5 Mr. Brosch's testimony is actually talking about
6 your calculation of payment lead days for
7 pass-through taxes in accordance with the
8 agreement, isn't that your testimony?

9 A. I believe that's correct.

10 Q. Would you agree that the other
11 Illinois utilities that Mr. Brosch was referencing
12 do not have the same form of agreement with the
13 city that let's them pay a weighted percentage of
14 pass-through taxes collected in the prior four
15 months?

16 A. I believe that's correct.

17 Q. Do you know if the Peoples Gas
18 agreement with the city also applies to ComEd tax
19 remittances, if you know?

20 A. I'm sorry. To who?

21 Q. To ComEd's tax remittances, if you
22 know?

1 A. Does Peoples Gas's agreement apply
2 to ComEd?

3 Q. Yes.

4 A. No.

5 Q. Okay. And at line 22, page 482 --

6 A. I'm sorry. Give me that reference
7 again.

8 Q. Sure. Page 22 line 482.

9 A. Of my surrebuttal?

10 Q. Correct.

11 A. Okay. I'm there.

12 Q. You state "Mr. Brosch has offered in
13 his testimony the incorrect and unsupported
14 premise that somehow the utilities are allowed to
15 experience longer lead days than other Illinois
16 utilities, which allows them to hold the cash for
17 pass-through taxes longer than would appear
18 possible under the applicable statutory payment
19 due dates." Do you see that?

20 A. I do.

21 Q. What is your understanding of the
22 phrase "would appear" in that sentence?

1 A. That's what he thinks my calculation
2 presents.

3 Q. I'm sorry. Can you repeat that?

4 A. I'm saying Mr. Brosch has provided
5 testimony that he says which allows them to hold
6 the cash for longer than would appear possible and
7 that's just not a true statement.

8 Q. Okay. And it's your testimony that
9 you've accurately calculated the payment lead days
10 associated with pass-through taxes that are
11 payable to the City of Chicago in accordance and
12 based upon the agreement that is set forth in your
13 Exhibit 7.3?

14 A. Yes, lead days are calculated in
15 accordance with the agreement.

16 Q. And you'd agree, wouldn't you, that
17 Mr. Brosch adopted the same payment lead day value
18 you've calculated for pass-through taxes?

19 A. That's correct.

20 Q. I want to show you what I'll mark as
21 AG Cross Exhibit 17.

22

1 (Document marked as AG Exhibit
2 No. 17 for identification.)

3 BY MS. LUSSON:

4 Q. Do you recognize AG Cross Exhibit 17
5 to be the companies response to AG data request
6 22.11?

7 A. Yes, I do.

8 Q. And was this response prepared by
9 you or under your supervision?

10 A. Yes, it was.

11 Q. Now, in Part C, you were asked of
12 the data request response -- you were asked if the
13 payment terms for pass-through taxes that exist
14 with the city will change if the Commission finds
15 that no revenue lag value other than zero should
16 be afforded pass-through tax collection, do you
17 see that?

18 A. Yes, I do.

19 Q. And you replied after the objection
20 that there would be no change to the agreement
21 with the city and no change to payment due dates
22 in this situation?

1 A. That's correct.

2 Q. And that is still correct?

3 A. That's correct.

4 Q. Now, I'd like to ask you a few
5 questions about the change with respect to
6 pass-through taxes that you proposed in your
7 surrebuttal that you identify as an alternative.
8 If we can turn to page 23 of your testimony. At
9 line 520, you state "However, in an effort to
10 resolve this contested issue and, again, we're
11 talking about the calculation of pass-through
12 taxes within the context of cash working capital
13 for purposes of the current cases and without
14 waiving any rights as to future cases the
15 utilities are willing to revise their cash working
16 calculations -- cash working capital calculations
17 and reflect a zero lag for all pass-through taxes
18 except the ICC gas revenue tax" and you indicate
19 that this would require adjusting the lead values
20 for the taxes as well, do you see that?

21 A. Yes.

22 Q. At line 527, you indicate that

1 you've eliminated the lag days proposed by the
2 utilities and then you've also adjusted the lead
3 days by eliminating that same value, do you see?

4 A. That's correct.

5 Q. So just to understand the
6 alternative you're offering, if you can turn to
7 your Exhibit 43.7P.

8 A. I have it.

9 Q. Now, first, 43.7 represents your
10 primary approach filed in direct testimony where
11 pass-through taxes are assigned a full 49.59 day
12 revenue lag on line two at then payments lead
13 based on -- based upon due dates such as the 73.79
14 day lead for gross receipts municipal utility tax
15 down on line 24, is that right?

16 A. That's correct. And then the three
17 additional lines after that.

18 Q. So the net lead days for this tax is
19 73.79 days to pay as I understand it minus 49.59
20 days to collect revenues for a net lead of 24.2
21 days and that's again on your direct?

22 A. I believe that's correct. 24.2

1 days, correct.

2 Q. Now, let's look at your alternative,
3 which is 43.8P, correct?

4 A. Correct. I'm there.

5 Q. If we look at line two, you're not
6 offering to apply a zero lag date gross receipts
7 municipal utility tax, is that right?

8 A. That's right.

9 Q. And a revised expense payment lead
10 day value of 24.2 days for a net lead of 24.2
11 days, is that right?

12 A. That is correct.

13 Q. So the alternative -- the proposal
14 that you've identified as an alternative or
15 compromise creates the same outcome as what you
16 proposed in direct testimony for this cash working
17 capital item, doesn't it?

18 A. The net result is the same. That is
19 correct, but it is showing a zero revenue lag like
20 the parties were suggesting.

21 Q. So would you agree in terms of the
22 dollar value associated with this alternative, or

1 what you call a compromised calculation, it really
2 isn't a compromise in the true sense of the word
3 with respect to the dollar impact?

4 A. Not with respect to the dollar
5 impact. It's the same.

6 Q. So it's a different way of packaging
7 the cash working capital calculation you proposed
8 in direct testimony?

9 A. I kind of explained this in my
10 testimony, but if you want to use the term
11 packaging, I can go along with that. It's a
12 different presentation. The economics of it are
13 the same.

14 Q. Okay. Do you recall answering AG
15 data request 16.21 on the topic of pass-through
16 taxes? I have a copy of that. It's actually
17 attached to Mr. Brosch's rebuttal testimony as his
18 Exhibit 4.10. I'll give you a copy of that if
19 that will help.

20 A. I may have it here. If you have
21 that handy, that will be great.

22 MS. LUSSON: Your Honor's, it's

1 already in the record so do you want me to mark
2 this for identification?

3 BY MS. LUSSON:

4 Q. When you were asked in AG 16.21 if
5 you were to assume that the listed pass-through
6 taxes were due and payable as a liability to the
7 utility only upon collection of revenues such that
8 no revenue lag is applicable, what modification to
9 the utilities lead day values would be required,
10 is it correct you responded "Mr. Hengtgen cannot
11 assume that no revenue lag is applicable" and that
12 you also stated "Therefore, no modification to the
13 utilities lead day values can be calculated and is
14 not required"?

15 A. That's true. This was responded to
16 prior to my surrebuttal testimony.

17 Q. Which lead day value for remittance
18 of gross receipts municipal utility tax most
19 accurately reflects the terms of the agreement
20 with the city, the 73.79 day value calculated in
21 your -- that appears in your 43.7P on line 24 or
22 the 24.2 day value appearing on 43.8P?

1 A. The original lead calculations that
2 I made reflect the agreement with the City of
3 Chicago and they also include a revenue lag that
4 is required due to the way the calculations are
5 made. So that lead calculation that I originally
6 proposed I believe is the most accurate.

7 Q. I want to show you what I'll mark as
8 AG Cross Exhibit 18.

9 (Document marked as AG Exhibit
10 No. 18 for identification.)

11 BY MS. LUSSEN:

12 Q. Mr. Hengtgen, do you recognize this
13 to be a copy of the companies response to AG data
14 request 22.12?

15 A. Yes.

16 Q. And was this prepared by you or
17 under your supervision?

18 A. Yes, it was.

19 Q. And this document represents your
20 response to AG questions raised regarding your
21 pass-through tax lead day revisions that we were
22 just discussing?

1 A. That's correct.

2 Q. Are the answers still the same today
3 as provided herein?

4 A. Yes.

5 MS. LUSSON: Thank you,
6 Mr. Hengtgen. I have no further cross and I would
7 move for the admission of AG Cross Exhibit's 16,
8 17 and 18.

9 JUDGE TEAGUE: Are there any
10 objections?

11 MS. SCARSELLA: No objection.

12 JUDGE TEAGUE: Then AG Cross 16, 17
13 and 18 are admitted.

14 MR. O'BRIEN: I'm sorry, your Honor.
15 Ms Lusson indicated there was no further cross.
16 Ms. Lusson has no further cross, but the people
17 still have a couple of questions. We're just
18 splitting the cross.

19 JUDGE TEAGUE: Okay.

20 MR. O'BRIEN: Sorry for any
21 confusion.

22

1 C R O S S E X A M I N A T I O N

2 BY MR. O'BRIEN

3 Q. Good morning, Mr. Hengtgen.

4 A. Good morning.

5 Q. My name is Tim O'Brien and like
6 Ms. Lusson I am with the Attorney General's
7 Office. I just want to ask you a couple of
8 questions related to CWIP and when I say CWIP you
9 understand that to mean construction work in
10 process, correct?

11 A. Correct.

12 Q. I want to direct you to your
13 surrebuttal testimony at page 13.

14 A. I'm there.

15 Q. Now, specifically at lines 299
16 through 301 you testified that Mr. Effron did not
17 respond to your rebuttal testimony that
18 historically Peoples Gas has been allowed CWIP and
19 rate base and that the Commission has authority to
20 include CWIP and rate base, correct?

21 A. That's correct.

22 Q. Let's deal with that -- the first

1 half of that statement first. And I know you
2 indicated before you have a copy of Mr. Brosch's
3 testimony. I don't know if you have a copy of
4 Mr. Effron's with you.

5 A. I probably do.

6 Q. Just for your reference, I have a
7 copy of the relevant pages and this is solely for
8 reference. If you look at page 13 of Mr. Effron's
9 testimony --

10 A. Okay.

11 Q. -- specifically the lines between
12 280 and 287, isn't it true that Mr. Effron
13 recommend that \$4.6 million of CWIP roughly be
14 included in the company's rate base?

15 A. That's correct.

16 Q. In fact, Mr. Effron testified that
17 the \$4.6 million figure does not seem
18 unreasonable, correct?

19 A. That's correct.

20 Q. And that the estimated average
21 amount of CWIP in excess of that \$4.6 million
22 should be eliminated from rate base, correct?

1 A. That's correct.

2 Q. Now, in your testimony, you have not
3 provided any evidence that Mr. Effron's
4 recommendation is inconsistent with Commission
5 practice, have you?

6 A. He is making a proposal to disallow
7 CWIP and historically Peoples Gas has been granted
8 all of its CWIP and rate base. So that is -- his
9 proposal is inconsistent with prior Peoples Gas
10 rate orders.

11 Q. But not necessarily inconsistent
12 with Commission's practice in general, if you
13 know?

14 A. I don't really know exactly the
15 Commission practice with respect to CWIP.

16 Q. That's fair enough. Now, I'd like
17 to shift to the second half of that statement we
18 read before where you testified that Mr. Effron
19 had not responded to your rebuttal testimony that
20 the Commission has authority to include CWIP and
21 rate base.

22 A. I'm there.

1 Q. If you know, doesn't the Commission
2 also have the authority to exclude CWIP from rate
3 base?

4 A. I believe they probably do.

5 Q. Mr. Hengtgen, you are not an
6 attorney, correct?

7 A. That's correct.

8 Q. And, in fact, I believe you
9 testified to that in your rebuttal testimony?

10 A. It's very possible.

11 Q. In fact, you're an accountant much
12 like Mr. Effron, correct?

13 A. That is correct.

14 Q. Now, I'd like to draw your attention
15 back to Mr. Effron's testimony at page 11,
16 specifically lines 234 through 237.

17 A. I'm there.

18 Q. Would you generally agree that these
19 lines of testimony Mr. Effron is discussing
20 generally the Commission's authority to include or
21 exclude CWIP from rate base?

22 A. Generally, yes.

1 Q. And, in fact, I would somewhat
2 reluctantly agree with the statement that
3 Mr. Effron may not have directly responded to your
4 testimony that the Commission has authority to
5 include CWIP and rate base. However, do you think
6 it's possible that Mr. Effron may not have
7 directly responded to that section of your
8 testimony because he is a technical witness and,
9 therefore, doesn't believe it is his role to tell
10 the Commission what its authority is or may not
11 be?

12 MS. SCARSELLA: Objection, your
13 Honor. He didn't testify for Mr. Effron. He
14 didn't know what Mr. Effron was thinking at the
15 time he prepared his testimony. It would call for
16 speculation.

17 JUDGE TEAGUE: Can you rephrase
18 that?

19 MR. O'BRIEN: I'll rephrase it.

20 BY MR. O'BRIEN:

21 Q. Mr. Hengtgen, as you read
22 Mr. Effron's testimony, is it possible as you read

1 it in your opinion that Mr. Effron was giving a
2 perspective as an accountant and not as a lawyer
3 as to what the Commission's authority may or may
4 not have been?

5 MS. SCARSELLA: I object again. I
6 mean, he can't speak as to what Mr. Effron
7 intended or -- you know, that requires speculation
8 on behalf of Mr. Hengtgen.

9 MR. O'BRIEN: However, if I may just
10 respond, your Honor. Mr. Hengtgen did respond to
11 Mr. Effron's testimony in his testimony
12 characterizing these segments.

13 MS. SCARSELLA: He can certainly ask
14 what Mr. Hengtgen was responding to in
15 Mr. Effron's testimony, but as to speculating what
16 Mr. Effron intended to cover, he can't speak to
17 that.

18 JUDGE TEAGUE: The objection is
19 sustained.

20 MR. O'BRIEN: We have no further
21 questions for Mr. Hengtgen. Thank you.

22 JUDGE TEAGUE: Thank you.

1 MR. REDDICK: Your Honor, while
2 we're reconfiguring here, I have two cross
3 exhibits that I discussed with Ms. Scarsella and I
4 will distribute those now if that's okay.

5 JUDGE TEAGUE: That's fine.

6 MR. REDDICK: Your Honor, as I
7 believe I have Ms. Scarsella's agreement to
8 introduce these so I will not be doing cross
9 examination on them, but I will move their
10 admission into evidence.

11 MS. SCARSELLA: We have no
12 objection.

13 (Documents marked as City
14 Exhibit No.'s 1-2 for
15 identification.)

16 JUDGE TEAGUE: Then City Cross
17 Exhibit's 1 and 2 are admitted.

18 C R O S S E X A M I N A T I O N

19 BY MR. REDDICK

20 Q. Good morning, Mr. Hengtgen.

21 A. Good morning.

22 Q. My name is Conrad Reddick and I am

1 representing the City of Chicago. I'd like to
2 direct your attention first to your rebuttal
3 testimony Exhibit 27.0, page eight.

4 A. Okay.

5 Q. At line 168, you say "Initially, it
6 appears that an average rate base might be a
7 better match from a cost perspective if you assume
8 the rates in effect during the year fully capture
9 the cost during the year than a year-end rate base
10 situation."

11 I'd like to ask you a few
12 questions about that passage to clarify what
13 you're saying there and I'd like to take it one
14 point at a time if that's okay?

15 A. Sure.

16 Q. Will an average rate base more
17 accurately reflect the capital cost that Peoples
18 Gas incurs during the test year?

19 A. An average rate base would be
20 appropriate to capture the cost during the test
21 year if the rates were in effect for the full test
22 year.

1 Q. One piece at a time.

2 A. Okay.

3 Q. Let's not talk about rates. Let's
4 talk about costs.

5 A. Okay.

6 Q. Does the average rate base more
7 accurately reflect the capital cost Peoples Gas
8 actually incurs during the test year?

9 A. During the entire course of the
10 year, I'd say that's true.

11 Q. And to talk a little further about
12 the average, the average is not rate base as of a
13 specific date, but it's shorthand for the
14 mathematical result of averaging the beginning of
15 the year and end of year amounts to approximate
16 the gradual addition of investment over the 12
17 months, is that correct?

18 A. That's correct.

19 Q. And using the reverse of that
20 averaging process if we start with the date and
21 use the reverse of the averaging process, we would
22 see that the December 31, 2013, rate base amount

1 that you propose would be an approximation of the
2 gradual addition of investment to rate base over a
3 period that extended beyond December 31, 2013?

4 A. I'd like you to ask that again just
5 to make sure.

6 Q. If we looked at the period from July
7 1, 2013, to June 30th, 2014, would -- the result
8 of that averaging would be rate base as of
9 December 31st, 2013?

10 A. Yes, I believe that's correct, but
11 let me just add to that. The simple average of
12 amounts at July 1st of 2013 through June 30th of
13 2014, if you take a simple average of that it
14 would be December 31st, 2013. That's correct.

15 Q. And that's the process that you used
16 when you were talking about the average date in
17 the proposals of the intervening parties?

18 A. That's the process, but the time
19 period I was talking about was different.

20 Q. Yes. So going back to the practice
21 that we're exploring your complaint then is that
22 rates set using an average test year rate base may

1 not match the cost that Peoples incurs during the
2 post-test year period when the rates are in
3 effect?

4 A. What I'm saying is that since the
5 rates are not going into effect at the beginning
6 of the test year, they are not matching or
7 recovering all the costs for that year.

8 Q. For the test year?

9 A. For the test year 2013.

10 MR. REDDICK: Could I have that
11 entire answer read back please, your Honor?

12 (Whereupon, the record was read
13 as requested.)

14 BY MR. REDDICK:

15 Q. My question was for the test year
16 and I believe your answer was yes?

17 A. They are not recovering all the
18 costs for the test year. I've lost track of the
19 question, but if that was the question, then the
20 answer is yes.

21 Q. And when you say all of the costs
22 for the test year, exactly what is it that you

1 mean by that?

2 A. If the rates are not going into
3 effect on January 1st, there is --

4 Q. I don't mean to interrupt, but right
5 now I want to focus on costs.

6 A. Okay. Can you repeat the question
7 then?

8 Q. Okay. As I understand this passage
9 of your testimony, your complaint is that the
10 rates set don't match the costs incurred during
11 the post-test year period when rates are in
12 effect?

13 A. But I say it's not -- we're still on
14 line 168 through 170, correct?

15 Q. Yes.

16 A. I'm saying it might be a better
17 match if you assume the rates are in effect during
18 the year fully captured the cost during the year,
19 but the rates in this proceeding are scheduled to
20 go into effect around July 1st.

21 Q. Can we agree that the costs are what
22 the costs are?

1 A. The costs are what the costs are for
2 the test year.

3 Q. And whether we set good rates, bad
4 rates or no rates, the costs are what the costs
5 are?

6 A. I will agree to that.

7 Q. Okay. So the costs during the test
8 year are not affected by the outcome of this rate
9 case?

10 A. I'm not sure that's -- you would
11 think that's correct, but it's possible that the
12 company could make changes based upon the outcome
13 of the rate case, but the numbers that we have in
14 the rate case are not impacted by the outcome of
15 this case.

16 Q. Okay. So we have an accurate
17 statement. If the company spent the amounts
18 projected in this rate case, those costs would not
19 be affected by the rates set in this rate case?

20 A. That's correct.

21 Q. So, again, I ask you whether the
22 essence of your criticism of the average rate --

1 I'm sorry -- the average rate base is that that
2 amount in the revenue requirement does not match
3 an amount for a period that extends beyond the end
4 of 2013?

5 A. Yes, I'm saying if the rates aren't
6 in effect past December 2013, then the average
7 rate base isn't the best match for that time
8 period. I suggest that a December 31st year-end
9 rate base was a better match.

10 Q. Now, the compromise that you
11 proposed in your surrebuttal testimony, which I
12 believe you discussed with Ms. Lusson also does
13 not match the expected period the rates will be in
14 effect, is that correct?

15 A. Yes, I think my testimony indicated
16 that the alternate or the compromise in effect was
17 kind of like an average between July 1st when the
18 rates are going to go into effect and December
19 31st year-end which the company originally
20 proposed.

21 Q. So if we return to the language of
22 our first topic of discussion that would actually

1 reflect the gradual addition of investment from
2 mid year to the end of the year --

3 A. It would, but it would also reflect
4 the gradual increase from the beginning of the
5 year to September 30th.

6 Q. This would be a lot easier with
7 algebra instead of words. It reflects activity
8 from the beginning of the year only because that
9 activity is reflected in the beginning amount at
10 mid year with which you average the end of the
11 year amount?

12 A. Yeah. My calculation actually does
13 not use a mid year. It starts with the -- the
14 only rate base numbers we have in front of us are
15 year end December 2012 and year end December 2013
16 and I hope you bear with me just explaining this.

17 The average rate base being
18 proposed by the parties other than the utilities
19 is just a simple average and that, in effect,
20 would approximate a June 30th date. This
21 alternate proposal is a calculation not of that
22 simple average which is the beginning of the year,

1 end of year divided by two or, in effect, 50
2 percent of the change because some of the items
3 did go down I believe. It's 50 percent of the
4 change from January 2013 or December 2012 through
5 the end of the year. This alternate is nothing
6 more than 75 percent of the change from the
7 beginning of the year to the end of the year,
8 which would approximate a September 30th average.

9 Q. The simple average, that is an
10 average at the beginning of the year, end of the
11 year, reflects the gradual addition of plant
12 throughout the year if one assumes a uniformed
13 rate of addition, is that correct?

14 A. That is correct.

15 Q. And your alternative would reflect
16 something other than a uniformed rate of addition
17 of plant to rate base?

18 A. No, I don't believe that's correct.
19 The assumption is still uniform. It's just taking
20 the rate of change and pushing that out three more
21 months. The assumption is still that everything I
22 think would be ratable during the year.

1 Q. So what is it that goes through more
2 months?

3 A. I'm not sure how to respond. What
4 is what that goes through more months?

5 Q. I'm trying to repeat back what you
6 said. Did I get it wrong?

7 A. It's an approximate calculation of a
8 rate base that would be reflective of September
9 30th, 2013, based upon if the changes whether up
10 or down between the beginning of the year and the
11 end of the year instead of being reflective of
12 June 30th are reflective of September 30th.

13 Q. So your objective was to calculate
14 the amount of rate base that would exist September
15 30th, 2013, rather than to capture capital costs
16 over a specific period of time, is that the
17 calculation you just described?

18 A. I think it's -- in my opinion, it's
19 almost one in the same. I captured costs assuming
20 that the investment in rate base is ratable during
21 the year. Instead of capturing the costs through
22 June 30th and saying that that's an average rate

1 base between the beginning and the end, this
2 calculation captures those six months of ratable
3 additions along with an additional three months of
4 ratable additions and presents it December 30th.

5 MR. REDDICK: Sorry to burden us.

6 Could I have -- I was with you until the end.

7 Could I hear that answer again?

8 (Whereupon, the record was read
9 as requested.)

10 BY MR. REDDICK:

11 Q. What is the logic for doing that?

12 A. I think I explained this in my
13 testimony that the rates are going into effect
14 approximately July 1st. I don't think anybody has
15 disputed that and the interveners -- the staff and
16 the intervener's proposal is that we use an
17 average rate base for the year which you just kind
18 of discussed. In effect, the calculation is a
19 June 30th rate base and since the rates are going
20 into effect July 1st, the company is proposing a
21 year-end, I'm making a compromised proposal that
22 the rate base used to set the rates in this

1 proceeding would be based upon that September 30th
2 calculation.

3 I still believe and I think the
4 testimony and the facts support a year-end, but
5 I'm just offering this alternate calculation for
6 the Commission to consider.

7 Q. Okay. So you didn't present -- let
8 me ask a separate question. Other than this is a
9 compromise, you didn't present logic to support
10 the three quarter year instead of the simple
11 average?

12 A. I didn't really present anything
13 more than what I just described in the calculation
14 in my exhibits.

15 Q. And there is nothing in your
16 testimony in the way of when plant is added to
17 rate base during the course of 2013 that would
18 indicate anything other than a uniform addition
19 over the 12 months?

20 A. That's correct.

21 Q. And in the compromise that you're
22 proposing you would change the rate base, but the

1 noncapital costs would not be changed?

2 A. No, the test year noncapital
3 costs -- I assume you're referring to operating
4 expenses?

5 Q. Whatever else is left.

6 A. No, those -- I'm not suggesting that
7 there is any changes to those.

8 Q. And I want to be clear that in your
9 earlier answer when you referred to effectively a
10 June date or effectively a September date you're
11 talking in shorthand for the result of the
12 averaging process?

13 A. That's correct.

14 Q. We're not aiming at the rate base as
15 of a particular date, but rather the cost
16 through -- over a certain period of time?

17 A. And the simple averaging outcome
18 occurs with that.

19 Q. Thank you. Changing topics
20 slightly. Does Peoples Gas believe that the 2013
21 calendar year test year that they selected is not
22 representative of the period the rates will be in

1 effect?

2 A. The rates will be in effect for only
3 half of that year. So if that's
4 nonrepresentative, I guess the answer is yes.

5 Q. Do you believe that it is -- give me
6 a moment. I believe your testimony qualifies that
7 answer a little bit. Would you -- would it be
8 accurate to say that your position is that the
9 2013 calendar year is a representative test year
10 if you use an end of year rate base?

11 MS. SCARSELLA: Mr. Reddick, is
12 there a passage in his testimony that you're
13 referring to?

14 MR. REDDICK: No.

15 MS. SCARSELLA: You just said his
16 testimony qualified that. Are you referring to
17 his written testimony or what he just spoke to?

18 MR. REDDICK: Everything he has
19 filed proposes an end of year rate base except for
20 the compromise.

21 MS. SCARSELLA: I'm sorry. Can you
22 state your question again because I think you

1 started by saying you qualified your answer by
2 testimony and I was confused as to what you were
3 referring to.

4 BY MR. REDDICK:

5 Q. Well, let's start over from the
6 beginning. Is the 2013 calendar year test year,
7 the PGL selected in your opinion, not
8 representative of the period rates will be in
9 effect?

10 A. Yes.

11 Q. Yes, it is not representative?

12 A. Yes, as I've stated in my
13 testimony --

14 Q. I just wanted to get the negatives
15 straight. You were agreeing that it is not
16 representative?

17 A. I believe that's correct.

18 Q. What should the Commission use to
19 set rates in this case, what test period?

20 A. I'm testifying to rate base and I'm
21 suggesting that a year-end rate base should be
22 used for -- to set rates in this proceeding.

1 Q. So your testimony on rate base is
2 somewhat divorced from the question of a
3 representatives test year?

4 MS. SCARSELLA: I'll object at this
5 point. Mr. Hengtgen did not describe -- did not
6 testify concerning the selection of the test year.
7 He testified as matching the test year chosen to
8 the year-end rate basis. Ms. Gregor was the
9 witness I believe that testified regarding the
10 test year chosen.

11 MR. REDDICK: Your Honor, I think
12 that was my question.

13 MS. SCARSELLA: You're speaking of
14 test year, but Mr. Hengtgen has testified
15 concerning rate base.

16 MR. REDDICK: I believe my question
17 was whether or not he was separating his testimony
18 on rate base from the testimony on test year.
19 That was my --

20 MS. SCARSELLA: Again, Mr. Hengtgen
21 didn't testify as to the test year chosen. He
22 only testified in context of the rate base

1 selected with regard to the test year chosen by
2 the company.

3 JUDGE TEAGUE: We're going to
4 overrule the objection. If you can answer,
5 please --

6 BY THE WITNESS:

7 A. Could you restate the question?
8 Just repeat it one time.

9 MR. REDDICK: Might I trouble the
10 reporter again. It was a while ago. I'm not sure
11 I could reproduce it because it came from your
12 answer.

13 (Whereupon, the record was read
14 as requested.)

15 BY THE WITNESS:

16 A. The representative test year in this
17 case is calendar year 2014. My testimony is on
18 rate base and I'm proposing that there be a
19 year-end rate base be used to set the rates in
20 this proceeding.

21 BY MR. REDDICK:

22 Q. I'm confused by the answer because

1 you said earlier today that 2013 was not
2 representative?

3 A. It's not representative of the time
4 that the rates are in effect because they're only
5 in effect for half the year.

6 Q. But it is representative of what?

7 A. 2013 is the test year that has been
8 chosen in this proceeding.

9 Q. That's all you meant by that
10 statement?

11 A. Yes.

12 Q. Okay. So your objective in your
13 testimony was to define a rate base amount that
14 was representative of the period rates will be in
15 effect?

16 A. My testimony supported the
17 components of rate base and my testimony suggested
18 that the proper rate base to be used to set the
19 rates in this proceeding would be year-end because
20 that is more reflective of the time period that
21 the rates will be in effect.

22 Q. And would it also be accurate to say

1 your objective was not to define or determine an
2 amount that was representative of the gradual
3 increase in rate base over the course of the 12
4 months January 2013 to December 2013?

5 A. My rate base calculation actually
6 was a year-end. So my proposal on my direct was
7 that year-end rate base would be reflective and
8 should be used to set the rates and that would be
9 an accumulation of the rate base components from
10 the beginning of the year all the way to the end
11 of the test year December 31st. I suggested that
12 that was the appropriate rate base to be used.

13 Q. Because that is the accumulative
14 amount of all the additions during the year?

15 A. Correct.

16 Q. The capital costs that the company
17 incurs begin when the plant goes into rate base.
18 That is when it becomes -- goes into service?

19 A. That's correct. When you -- what is
20 your definition of capital costs?

21 Q. Rate base times return --

22 A. Okay.

1 Q. -- as adjusted by capital related
2 growth.

3 A. I thought maybe you were going
4 towards depreciation expense where you said when
5 it's placed in service and that's when the
6 depreciation starts, but you're talking about the
7 return on rate base?

8 Q. Yes. The others change as well. I
9 mean, it all starts when it goes into service,
10 correct, the return as well as depreciation starts
11 when the plant is going into service?

12 A. Depreciation starts when the plant
13 goes into service. So can I give you an example?

14 Q. I dont' think we need to talk about
15 depreciation.

16 A. Okay. The capital -- the recovery
17 of the capital costs.

18 Q. I'm sorry. We're not talking -- I'm
19 trying very hard to focus on costs. The test year
20 costs. Not the rates.

21 A. Okay. I'll try to bear with you.

22 Q. So Peoples Gas incurs capital costs

1 starting when a plant goes into service?

2 A. That's correct.

3 Q. And all of the plant doesn't go into
4 service at the same time during a given year?

5 A. That's correct.

6 Q. And because it goes into service
7 gradually both over the course of the year one way
8 to recognize that is to use an average of the
9 beginning/ending amounts?

10 A. That's correct.

11 Q. Okay. Again, in your rebuttal
12 testimony on page seven in the vicinity of line
13 148, you comment on the rate base calculation used
14 in electric utility formula rate cases and you
15 observed that an end of year rate base is used to
16 set rates in those formula rate cases and that an
17 average rate base is used to reconcile projected
18 revenue requirements to an actual revenue
19 requirement, is that an accurate summary of what
20 you say there?

21 A. That's my understanding of the
22 process in the formula case, yes.

1 Q. You do understand that there is a
2 reconciliation of revenue requirements in the
3 formula rate cases?

4 A. Yeah. Let me preface this
5 discussion. I also said I'm not an expert by any
6 means in the formula rate process, but I do
7 understand that there is a reconciliation, yes.

8 Q. And do you understand as well that
9 the reconciliation in those cases determines the
10 ultimate revenue requirement for which rate payers
11 are responsible?

12 A. That's going beyond my knowledge.
13 I'm not really exactly sure how the formula
14 process works.

15 Q. Then you really have no basis for
16 the opinion you express at line 149 that the
17 Instant cases are traditional rate cases and
18 references to the use of average rate base in the
19 ComEd and Ameren formula rate reconciliations are
20 irrelevant?

21 A. Starting at 149 going through 151.
22 Yeah, I think my intent of that is that the

1 formula process is a much different regulatory
2 scheme than the traditional rate cases. So I
3 don't think talking about what is used in those
4 cases is relevant.

5 Q. But you're not aware of the details
6 of that process?

7 A. I'm not extremely familiar with
8 that, no.

9 Q. So there may be, in fact, relevant
10 areas that you're not aware of?

11 A. That's possible. It's my opinion.

12 Q. Based on your limited understanding?

13 A. That's correct.

14 Q. But you do know that there will not
15 be a reconciliation of revenue requirements in
16 this case?

17 A. I do know that.

18 Q. Isn't it true that traditionally
19 rates set in a rate base remain in effect
20 indefinitely, that is they continue in effect
21 until modified under a new rate case?

22 A. I believe that's correct.

1 Q. And during that period if a utility
2 believes that or perceives that there is a serious
3 under-recovery problem it can file a new rate
4 case?

5 A. It certainly could.

6 Q. And under the proposals you've made
7 both in your original testimony and in your
8 compromised proposal, you haven't said anything
9 that would affect Peoples right to file a rate
10 case?

11 A. No.

12 Q. And isn't it true at times in the
13 past Peoples have gone years without filing a rate
14 case?

15 A. I believe that's accurate, yes.

16 Q. And during that period the company
17 kept in place rates -- I'm sorry -- rates based on
18 test year data that was years away from the times
19 that the rates remained effective?

20 A. That's true.

21 Q. For reasons stated in Mr. Schott's
22 testimony, Peoples Gas will be filing a new rate

1 case within two years, do you understand that?

2 A. I'm familiar with Mr. Schott's
3 testimony and I think -- I think there was some
4 discussion that a rate case needs to be filed
5 sometime in 2014. It's not my testimony, but I
6 think that's my understanding.

7 Q. Would the problematic circumstances
8 we're discussing here today, the use of test year
9 data and rates effective in another period, would
10 those problems be mitigated if the proposed test
11 year in future cases were more closely aligned
12 with the expected rates period?

13 A. So if the rates were in effect at
14 the beginning of the test year, is that kind of
15 the question you asked, but not in that way? I'd
16 say the answer to that is yes.

17 Q. So if a utility chose a future test
18 year that coincided with the expected periods of
19 the rates being in effect, we wouldn't have this
20 problem?

21 A. I think if the rates were going to
22 be in effect at the beginning of the year we

1 probably wouldn't, that is correct.

2 MR. REDDICK: Thank you. I have no
3 further questions, your Honor.

4 JUDGE TEAGUE: Thank you. Does CUB
5 have any --

6 MS. SODERNA: CUB does not have any
7 testimony of this witness.

8 MS. SCARSELLA: Can we have a few
9 minutes?

10 JUDGE TEAGUE: Sure.

11 JUDGE DOLAN: Before you do that, we
12 do have our questions because they were not
13 addressed. I just have a couple of questions for
14 you, Mr. Hengtgen, and they're all going to deal
15 with your 43.0 concern about NOL, net operating
16 loss.

17 Is it correct that the impact of
18 the 2012 NOL was not reflected in the companies
19 requested revenue requirements until surrebuttal
20 testimony?

21 THE WITNESS: That is correct.

22 JUDGE DOLAN: Okay. So can you

1 indicate which schedules specifically reflect the
2 impact of the 2012 NOL for both Peoples Gas and
3 North Shore?

4 THE WITNESS: Sure. I think if I
5 direct your attention to Exhibit 43.5P and 43.5N
6 that will show the opening balance or in other
7 words the ending balance at December 31st of 2012
8 of the NOL that we're now reflecting in rate base.

9 JUDGE DOLAN: Okay. So just those
10 exhibits as set forth in 43.5P and 43.5N?

11 THE WITNESS: That's correct. Those
12 show the numbers and, of course, these numbers are
13 rolled up in the 43.1 schedule.

14 JUDGE DOLAN: All right. Would the
15 2013 NOL adjustments be different if the 2012 NOL
16 adjustment is not included in the revenue
17 requirement?

18 THE WITNESS: Your Honor, I'm a
19 little hesitant to answer that question because we
20 do have a tax witness that probably is better
21 suited to answer that question.

22 JUDGE DOLAN: Okay. And then is it

1 correct that the adjustments that you have
2 mentioned include all of the direct adjustments
3 for the 2012 NOL?

4 THE WITNESS: Yes, that's correct.

5 MS. LUSSON: I'm sorry. Can I have
6 that question read back?

7 (Whereupon, the record was read
8 as requested.)

9 MS. LUSSON: Thank you.

10 THE WITNESS: I believe, yes, that's
11 correct.

12 JUDGE DOLAN: Thank you. That's all
13 the questions I have.

14 (Whereupon, a break was taken
15 after which the following
16 proceedings were had.)

17 JUDGE TEAGUE: We can go back on the
18 record. Do you have any redirect?

19 MS. SCARSELLA: No redirect.

20 JUDGE TEAGUE: You are done for the
21 day, Mr. Hengtgen. Is there any recross?

22 MR. FEELEY: I think the next

1 witness up is Bill Johnson for staff and my
2 understanding is the AG doesn't have any cross for
3 him, but the company has a cross exhibit as part
4 of a mutual flavor and I just rather put him on
5 rather than do an affidavit if that's fine.

6 JUDGE DOLAN: That's fine. While
7 we're on that topic -- nevermind. I assume that
8 most parties are going to put the waived cross in
9 tomorrow or the waived testimony in tomorrow, is
10 that what we're going to do?

11 MS. PALMER: Today, Judge.

12 JUDGE DOLAN: I was going to say if
13 people are prepared to do it today, we can get to
14 it today.

15 MR. O'BRIEN: The people are
16 prepared to do that.

17 JUDGE DOLAN: All right.

18 MR. FEELEY: At this time, staff
19 calls the next witness, Mr. William Johnson.

20 JUDGE DOLAN: Good morning,
21 Mr. Johnson. Please raise your right hand.

22

1 WHEREUPON:

2 WILLIAM JOHNSON

3 called as a witness herein, having been first duly
4 sworn, deposeth and saith as follows:

5 D I R E C T E X A M I N A T I O N

6 BY MR. FEELEY

7 Q. Could you please state your name and
8 spell it for the record?

9 A. My name is William R. Johnson.

10 Q. And by whom are you employed?

11 A. Illinois Commerce Commission.

12 Q. And what is your business address?

13 A. 527 East Capitol, Springfield,
14 Illinois 62701.

15 Q. Mr. Johnson, did you prepare some
16 direct and rebuttal testimony for this proceeding?

17 A. Yes, I did.

18 Q. Do you have in front of you a
19 document that has been marked for identification
20 as The Direct Testimony of William R. Johnson
21 marked for identification as ICC Staff Exhibit 8.0
22 and has attached Schedules 8.01N and P through

1 8.02N and P?

2 A. Yes, I do.

3 (Document marked as Staff
4 Exhibit No. 8.0 for
5 identification.)

6 BY MR. FEELEY:

7 Q. And was that document prepared under
8 your direction, supervision and control?

9 A. Yes, it was.

10 Q. Do you have any additions, deletions
11 or modifications to make to Staff Exhibit 8.0?

12 A. I do not.

13 Q. Mr. Johnson, do you also have in
14 front of you what has been marked for
15 identification as The Rebuttal Testimony of
16 William R. Johnson? It's been marked as ICC Staff
17 Exhibit 17.0 and has an Attachment A?

18 (Document marked as Staff
19 Exhibit No. 17.0 for
20 identification.)

21 BY THE WITNESS:

22 A. Yes.

1 BY MR. FEELEY:

2 Q. Did you prepare that document?

3 A. Yes, I did.

4 Q. Do you have any additions, deletions
5 modification or corrections to make to Staff
6 Exhibit 17.0?

7 A. No.

8 Q. Is the information contained in your
9 direct and rebuttal testimony true and correct to
10 the best of your knowledge and belief?

11 A. Yes, it is.

12 Q. If I were to ask you the same series
13 of questions set forth in ICC Staff Exhibit's 8.0
14 and 17.0, would your responses be the same?

15 A. Yes.

16 MR. FEELEY: Your Honor, at this
17 time, I move to admit into evidence the direct
18 testimony of William R. Johnson marked for
19 identification as Staff Exhibit 8.0 and has
20 attached Schedules 8.01N and P through 8.02N and P
21 and The Rebuttal Testimony of William R. Johnson
22 marked for identification as Staff Exhibit 17.0

1 Attachment A.

2 JUDGE DOLAN: Any objections?

3 MS. KLYASHEFF: No objection.

4 JUDGE DOLAN: All right. Then Staff
5 Exhibit 8.0 along with Schedules 8.01N and P
6 through 8.02N and P will be admitted into the
7 record and Staff Exhibit's 17.0 with Attachment A
8 will be admitted into the record. Thank you.

9 MR. FEELEY: Mr. Johnson is
10 available for cross-examination.

11 MS. KLYASHEFF: In lieu of
12 cross-examination, North Shore and Peoples Gas
13 wish to enter a cross exhibit consisting of two
14 data responses.

15 JUDGE DOLAN: Okay.

16 (Document marked as NS PGL
17 Exhibit No. 10 for
18 identification.)

19 MS. KLYASHEFF: We propose a cross
20 exhibit marked as NS PGL Cross Exhibit 10, which
21 consists of staff's responses to company data
22 requests 3.13 and 13.1.

1 JUDGE DOLAN: Any objections?

2 MR. FEELEY: So this is number 10

3 you said?

4 MS. KLYASHEFF: I believe so.

5 MR. FEELEY: I guess do you want to

6 go off the record for just a second.

7 JUDGE DOLAN: Okay. Off the record.

8 (Whereupon, a discussion was had

9 off the record.)

10 JUDGE DOLAN: Back on the record.

11 MR. FEELEY: Staff has no objection

12 to NS PGL Cross Exhibit 10.

13 JUDGE DOLAN: All right. NS PGL

14 Cross Exhibit 10 will be admitted into the record.

15 MR. FEELEY: Thank you.

16 JUDGE DOLAN: Ms. Lusson, do you

17 have anything for this witness?

18 MS. LUSSON: Actually, I think I

19 have one clarifying question I want to ask

20 Mr. Johnson if I could.

21 JUDGE DOLAN: Tim, can you just turn

22 the camera.

1 MR. O'BRIEN: Yes.

2 C R O S S E X A M I N A T I O N

3 BY MS. LUSSON

4 Q. Mr. Johnson, I just want to clarify
5 your SC1 heating proposal for both Peoples Gas and
6 North Shore Gas. Is it correct to conclude that
7 you have rejected Ms. Grace's 80 percent straight
8 fixed variable proposal for the SC1 heating
9 classes for both North Shore and Peoples Gas?

10 A. That's correct.

11 MS. LUSSON: Thank you.

12 JUDGE DOLAN: Any redirect based on
13 that question?

14 MR. FEELEY: No redirect.

15 JUDGE DOLAN: Thank you,
16 Mr. Johnson. You're excused.

17 THE WITNESS: Thank you.

18 JUDGE DOLAN: Proceed.

19 MS. CARDONI: At this time, staff
20 calls Brett Seagle.

21 JUDGE DOLAN: Good morning. Please
22 raise your right hand.

1 WHEREUPON:

2 BRETT SEAGLE

3 called as a witness herein, having been first duly
4 sworn, deposeth and saith as follows:

5 JUDGE DOLAN: Thank you.

6 D I R E C T E X A M I N A T I O N

7 BY MS. CARDONI

8 Q. Good morning, Brett. Please state
9 your full name for the record and spell your last
10 name. Brett, you have to turn on your mic.

11 A. Sorry. Brett N. Seagle. Last name
12 S-E-A-G-L-E.

13 Q. And who is your employer and what is
14 your business address?

15 A. My employer is the Illinois Commerce
16 Commission. My business address is 527 East
17 Capitol Avenue, Springfield, Illinois 62701.

18 Q. And what is your position at the
19 Illinois Commerce Commission?

20 A. I am a gas engineer.

21 Q. Did you prepare written exhibits for
22 submittal in this proceeding?

1 A. Yes.

2 Q. Do you have before you a document
3 marked for identification as Staff Exhibit 6.0 and
4 Schedule 6.01P, Attachments A, B1 and B2 and is
5 entitled The Direct Testimony of Brett Seagle?

6 A. That's correct.

7 (Document marked as Staff
8 Exhibit No. 6.0 for
9 identification.)

10 BY MS. CARDONI:

11 Q. Did you prepare that document for
12 presentation in this matter?

13 A. Yes.

14 Q. Do you also have before you a
15 document marked as Staff Exhibit 16.0 including
16 Schedules 16.01P and Attachments A and B entitled
17 The Rebuttal Testimony of Brett Seagle?

18 A. That's correct.

19 (Document marked as Staff
20 Exhibit No. 16.0 for
21 identification.)

22 BY MS. CARDONI:

1 Q. Did you prepare that document for
2 presentation in this matter?

3 A. Yes.

4 Q. Do you have any corrections to make
5 to either Exhibit 6.0 or 16.0?

6 A. Yes, I have two minor corrections to
7 make to -- the schedule attached to Exhibit 6.0,
8 Schedule 6.01P and in that schedule on line 13
9 reads 2012 AMRP disallowance is equal to
10 200,000 -- 200 million times what read before as
11 line seven I would like it to read now line six
12 and on line 14 the line reads 2013 AMRP
13 disallowance is equal to 220,750,000 times line
14 what what. What was line 14 it was actually
15 supposed to be line 12.

16 Q. Other than those edits, is the
17 information contained in Staff Exhibit 6.0 and
18 16.0 true and correct to the best of your
19 knowledge?

20 A. Yes.

21 Q. If I were to ask the same questions
22 as set forth in Exhibit 6.0 and 16.0, would your

1 responses be the same today?

2 A. Yes.

3 MS. CARDONI: Your Honor, at this
4 time, I move for admission into evidence of
5 Exhibit 6.0 and 16.0. I note for the record these
6 are the same documents filed on E-docket November
7 20th, 2012, and January 16th, 2013.

8 JUDGE DOLAN: Any objections?

9 MS. SCARSELLA: No objection.

10 JUDGE DOLAN: Hearing no objections,
11 then ICC Exhibit 6.0 along with 6.01P and
12 Attachments A, B1 and B2 will be admitted into the
13 record and ICC Exhibit 16.0 along with Schedule
14 16.01P and Attachments A and B will be admitted
15 into the record.

16 MS. CARDONI: Thank you. Mr. Seagle
17 is now available for cross.

18 C R O S S E X A M I N A T I O N

19 BY MS. SCARSELLA

20 Q. Good afternoon, Mr. Seagle. My name
21 is Carla Scarsella. I'm one of the attorneys
22 representing Peoples Gas and North Shore in this

1 proceeding.

2 A. Hello.

3 Q. My questions for the most part
4 relate to Peoples Gas's Accelerated Main
5 Replacement Program. Now, that program is also
6 referred to as AMRP, correct?

7 A. Correct.

8 Q. So if I refer to AMRP, you'll
9 understand that I'm referring to Peoples Gas's
10 Accelerated Main Replacement Program, correct?

11 A. Correct.

12 Q. Now, Mr. Seagle, in rebuttal
13 testimony, if you can turn to your rebuttal
14 testimony page 26 lines 506 to 508.

15 A. Yes, I'm there.

16 Q. Now, there you state that "Peoples
17 Gas failed to provide sufficient evidence to
18 demonstrate that it will incur the cost it
19 projected for 2012 and the 2013 test year," is
20 that correct?

21 A. That's correct.

22 Q. Now, do you agree that Peoples Gas's

1 2012 budget for AMRP projects is \$220 million?

2 A. Yes.

3 Q. Can you please refer to Mr. Hayes'
4 corrected surrebuttal testimony. If you don't
5 have it, I believe Mr. Allen has a copy.

6 A. I think I have it here. However, I
7 may not have the corrected version.

8 Q. That should work. I don't think the
9 line numbers didn't change and I don't think we're
10 going to be talking about what changed in that
11 testimony.

12 A. I got it.

13 Q. Okay. Can you turn to page 30 line
14 666 and 667.

15 A. Can you repeat that one more time?

16 Q. Sure. Page 30, line 666 to 667.

17 A. I don't know if I'm looking at the
18 wrong thing. I only have 14 pages.

19 Q. Maybe you're looking at supplemental
20 direct. I apologize if I misspoke. I need
21 surrebuttal.

22 A. Surrebuttal. I have surrebuttal.

1 I'm was looking at rebuttal. I'm sorry.

2 Q. That's quite all right.

3 A. Okay. I'm there.

4 Q. All right. You'll notice there --

5 and I'm not actually going to say the number

6 because it's been deemed confidential, but doesn't

7 Mr. Hayes provide the actual expenditures for

8 2012?

9 A. Yes.

10 Q. And would you agree that this amount

11 was spent on AMRP design, engineering, materials,

12 construction, restoration and management?

13 A. I would agree that Mr. Hayes --

14 that's what Mr. Hayes' testimony states there,

15 yes.

16 Q. Do you have any evidence that

17 demonstrates that that amount was spent on

18 something else?

19 A. No, I do not.

20 Q. Would you agree that the main

21 difference between the 2012 budget and the 2012

22 actual expenditures is attributable to the cost of

1 removal which increased from \$7.4 million budgeted
2 to \$18.5 million actual?

3 A. That is what his testimony states
4 there, yes.

5 Q. Again, you don't have any evidence
6 demonstrating otherwise?

7 A. No, I do not.

8 Q. Now, a utility cannot recover the
9 cost of removal in rate base, can it?

10 A. I'm not a hundred percent sure.

11 Q. Will you agree with me, subject to
12 check, that Peoples Gas rate base does not include
13 the cost of removal regarding AMRP?

14 A. So regarding cost of removal?

15 Q. Right.

16 A. As not included in rate base?

17 Q. In rate base.

18 A. Subject to check, yes.

19 Q. Thank you. So when you remove the
20 cost of removal from the budgeted 2012 AMRP costs,
21 Peoples Gas's budgeted amount for 2012 AMRP plant
22 addition was \$212.6 million, would you agree with

1 that?

2 A. Again, I would agrees that's what
3 the testimony states here, yes.

4 Q. Again, you have no evidence
5 demonstrating otherwise?

6 A. Correct.

7 Q. Doing the same computation with the
8 actual expenditures, isn't it true that the actual
9 amounts spent on 2012 AMRP plant additions was
10 \$210 million?

11 MS. CARDONI: Carla, are you
12 referring to line 673 just to give Mr. Seagle a
13 little more direction?

14 MS. SCARSELLA: Yes.

15 BY MR. SCARSELLA:

16 Q. It's in that paragraph. So if you
17 look at line 673 of Mr. Hayes' surrebuttal
18 testimony.

19 A. Yes, I'm looking at it. Again, I
20 would agree that Mr. Hayes' testimony does state
21 that here, yes.

22 Q. And, again, you have no other

1 evidence demonstrating that Peoples Gas did not
2 spend that money, do you?

3 A. No, I do not.

4 Q. So would you agree that Peoples Gas
5 incurred 98.7 percent of the costs that it
6 forecasted for 2012 AMRP?

7 A. I haven't done that calculation.

8 Q. Well, would you agree with me that
9 subject to check that \$210 million divided by
10 \$212.6 million would be 98.7 percent?

11 A. Yes. Subject to check, I would.

12 Q. So do you agree that the 2012 amount
13 of AMRP reflected in Peoples Gas proposed rate
14 case is representative of the cost actually
15 incurred?

16 A. Can you repeat the question, please?

17 Q. Absolutely. So as a result, do you
18 agree that the 2012 amount of AMRP reflected in
19 Peoples Gas's proposed rate base is representative
20 of costs actually incurred?

21 A. Well, I would have to say I would
22 probably need to see a little bit of data before I

1 could say that these costs were actually incurred.
2 Just having a number put down on a piece of paper,
3 just a large number there, I can't really say as
4 to if I had a chance to get a DR out and maybe get
5 a response from the company showing a little bit
6 more detailed information then, yes, I could say
7 that.

8 Q. And you haven't done that to date?

9 A. Not today. This was surrebuttal,
10 right?

11 Q. Right.

12 A. No, I haven't.

13 Q. Yet you have no evidence
14 demonstrating that Peoples Gas has not expended
15 those costs?

16 A. No, I do not.

17 Q. Can you turn to Mr. Hayes'
18 surrebuttal testimony page seven. There's a chart
19 at the bottom of the page that feeds over to page
20 eight.

21 A. I'm there.

22 Q. You beat me. Hold on. Do you agree

1 that this chart represents the main replacement
2 actually installed over the last four years -- the
3 last four years by Peoples Gas? I think you're on
4 mute again.

5 A. I'm sorry. I have a big binder here
6 that keeps hitting it.

7 Q. It's okay. Can you repeat your
8 answer?

9 A. Yes. The table does show those
10 numbers, yes.

11 Q. Now, referring to the column
12 entitled 2012, do you agree that this column
13 represents the actual work completed for 2012 with
14 respect to AMRP?

15 A. Could you repeat that question one
16 more time?

17 Q. Absolutely. Referring to the column
18 entitled 2012 in the chart, do you agree that this
19 column represents the actual work completed with
20 respect to AMRP during the calendar year 2012?

21 A. I can agree with that.

22 Q. If you can look at the first line of

1 that chart, it represents new gas mains installed
2 by miles, do you agree?

3 A. Yes.

4 Q. And for 2012 it shows that Peoples
5 Gas installed 132 miles of main, is that correct?

6 A. Yes.

7 Q. Do you agree that the 132 miles of
8 main are main that has actually been installed in
9 the ground?

10 A. I have no reason to believe
11 otherwise.

12 Q. Do you also agree that the 132 miles
13 of main is currently used and useful to providing
14 service to Peoples Gas customers or will be used
15 and useful in providing service in 2013 once the
16 mains are gassed?

17 A. Once the mains are gassed, I would
18 say yes.

19 Q. Now, the next line represents --
20 we'll skip down to new service pipes.

21 For 2012, it shows that 13,289
22 service pipes were installed, is that correct?

1 A. That's correct.

2 Q. Do you agree that the 13,289 service
3 pipes have actually been installed in the ground?
4 Do you agree that Peoples Gas actually installed
5 those pipes?

6 A. Yes. Again, I have no reason to
7 believe otherwise.

8 Q. So do you agree that the 13,289
9 service pipes is currently being used and useful
10 in providing service to Peoples Gas customers or
11 will be used and useful in providing service in
12 2013?

13 A. Just as long as they're connected to
14 the main, they will be.

15 Q. Excellent. If you go to the last
16 line on the chart on page seven -- I'm sorry --
17 yes, page seven. That represents the new meter
18 regulator sets that have been installed, do you
19 agree that in 2012 28,168 meter sets were actually
20 installed at customer locations?

21 A. That is what the tables would
22 suggest, yes.

1 Q. Again, you have nothing -- no
2 evidence demonstrating otherwise?

3 A. No.

4 Q. Do you agree that the 28,168 meter
5 sets is currently used and useful to provide
6 service to Peoples Gas customers?

7 A. Of course. As long as the service
8 to the meters are hooked to the main and the
9 actual meter sets are hooked to the service lines,
10 yes.

11 Q. Thank you. Now, finally, on the
12 very last line of the chart, which is on page
13 eight, that represents the amount of high pressure
14 steel interstation main installed and for 2012 it
15 shows that 3.5 miles of such main were installed,
16 correct?

17 A. Yes.

18 Q. Now, you agree that the 3.5 miles of
19 high pressure steel interstation main have
20 actually been installed in the ground, correct?

21 A. That is what the table shows, yes.

22 Q. And you have no evidence

1 demonstrating otherwise?

2 A. No.

3 Q. Do you agree that the 3.5 miles of
4 high pressure steel interstation main is used and
5 useful in providing service to Peoples Gas
6 customers?

7 A. If there is gas flowing in the pipe
8 and the distribution is actually hooked up to the
9 main, yes, it would be providing service and would
10 be used and useful, yes.

11 Q. I apologize. I didn't want to
12 interrupt. But you have no evidence demonstrating
13 otherwise?

14 A. No, I do not.

15 Q. Mr. Seagle, isn't it true that the
16 amount of 2012 AMRP reflected in Peoples Gas's
17 rate base reflects plants that are either
18 currently used and useful in providing service to
19 customers or will be used and useful to providing
20 service to customers in 2013?

21 A. Can you repeat the question one more
22 time?

1 Q. Absolutely. Isn't it true that the
2 amount of 2012 AMRP reflected in Peoples Gas's
3 rate base reflects plants that are either
4 currently used and useful in providing service to
5 customers or will be used and useful in providing
6 service to customers in 2013?

7 A. Yes, I have no reason to disagree.

8 Q. Now, Mr. Seagle, are you aware that
9 Peoples Gas and North Shore filed a rate case in
10 2009?

11 A. Yes.

12 Q. And, in fact, you submitted
13 testimony in that rate case, did you not?

14 A. I did.

15 Q. Isn't it true that your
16 responsibility in 2009 included reviewing all of
17 Peoples Gas's Schedules F4 projects except for
18 their cast and ductile iron pipe replacement
19 project?

20 A. That's correct.

21 Q. Do you know if any staff engineer
22 was assigned to review that project in the 2009

1 proceeding?

2 A. I can't recall.

3 Q. Mr. Seagle, do you know if -- are
4 you aware of whether Peoples Gas and North Shore
5 filed a rate case in the 2011 proceeding?

6 A. Yes, I filed testimony --

7 Q. All right.

8 A. -- in the case.

9 Q. And I horribly butchered that
10 question. Thank you for answering it correctly.
11 In that rate case, in the 2011 rate case, your
12 responsibility was to review all of Peoples Gas's
13 Schedule F4 projects except for AMRP, correct?

14 A. Yes.

15 Q. Do you know if any other staff
16 engineer was assigned to review that project in
17 the 2011 proceeding?

18 A. I can't recall.

19 Q. You're not aware whether an
20 engineer -- did any other engineer in your group
21 testify in that proceeding?

22 A. Again, I can't recall.

1 MR. SCARSELLA: Mr. Allen, can you
2 hand Mr. Seagle his response to North Shore
3 Peoples Gas data requests 12.05.

4 BY MS. SCARSELLA:

5 Q. Mr. Seagle, do you recognize this
6 data request?

7 A. Yes.

8 Q. Did you prepare the response to this
9 data request?

10 A. Yes.

11 Q. Is it true and correct?

12 A. Yes.

13 MS. SCARSELLA: Your Honor's, I'm
14 going to mark this as North Shore Peoples Gas
15 Exhibit 11.

16 (Document marked as NS PGL
17 Exhibit No. 11 for
18 identification.)

19 MS. SCARSELLA: Mr. Allen, can you
20 hand Mr. Seagle the response -- staff response to
21 North Shore Peoples Gas data requests 12.06?

22

1 BY MR. SCARSELLA:

2 Q. Mr. Seagle, do you recognize this
3 data request?

4 A. I do.

5 Q. Did you prepare the response to this
6 data request?

7 A. Yes.

8 Q. Is it true and correct?

9 A. Yes.

10 MS. SCARSELLA: Your Honor's, I'm
11 going to mark the response to -- staff's response
12 to North Shore Peoples Gas data requests 12.06 as
13 NS PGL Cross Exhibit 12.

14 (Document marked as NS PGL
15 Exhibit No. 12 for
16 identification.)

17 MS. SCARSELLA: Finally, Mr. Allen,
18 can you hand Mr. Seagle the response to -- staff
19 response to data request 14.01. Your Honor's, I'm
20 going to mark as NS PGL Cross Exhibit 13 staff's
21 response to North Shore Peoples data requests
22 14.01.

1 (Document marked as NS PGL
2 Exhibit No. 13 for
3 identification.)

4 BY MS. SCARSELLA:

5 Q. Mr. Seagle, do you recognize the
6 data requests 14.01?

7 A. Yes.

8 Q. Did you prepare that response?

9 A. Yes.

10 Q. Is it true and correct?

11 A. Yes.

12 Q. And just for the record you are
13 withdrawing your recommendation to exclude the
14 cost associated with the Calumet system upgrade,
15 is that correct?

16 A. That's correct.

17 MS. SCARSELLA: Your Honor's, I
18 would like to move into the record NS PGL Cross
19 Exhibit's 11, 12 and 13.

20 JUDGE DOLAN: Any objections?

21 MS. CARDONI: None.

22 JUDGE DOLAN: Then NS PGL Cross

1 Exhibit's 11, 12 and 13 will be admitted into the
2 record.

3 MS. SCARSELLA: I have no further
4 questions.

5 JUDGE DOLAN: Thank you. Do you
6 want a minute?

7 MS. CARDONI: Yes, please.

8 JUDGE DOLAN: Off the record.

9 (Whereupon, a break was taken
10 after which the following
11 proceedings were had.)

12 JUDGE DOLAN: Back on the record.

13 MS. CARDONI: We have no redirect.

14 Thank you.

15 JUDGE DOLAN: Thank you, Mr. Seagle.

16 THE WITNESS: Thank you.

17 JUDGE DOLAN: Looks like one more
18 witness.

19 MR. FEELEY: Yes. Your Honor's, at
20 this time, staff would call its next witness
21 Ms. Bonnie Pearce.

22 JUDGE DOLAN: Please raise your

1 right hand.

2 WHEREUPON:

3 BONITA PEARCE

4 called as a witness herein, having been first duly
5 sworn, deposeth and saith as follows:

6 JUDGE DOLAN: Thank you.

7 D I R E C T E X A M I N A T I O N

8 BY MR. FEELEY

9 Q. Could you please state your name for
10 the record?

11 A. Bonita A. Pearce, P-E-A-R-C-E.

12 Q. By whom are you employed?

13 A. I'm an accountant in the accounting
14 department of the financial analysis division of
15 the Illinois Commerce Commission.

16 Q. Ms. Pearce, do you have in front of
17 you a document which has been marked for
18 identification as Staff Exhibit 4.0, the Direct
19 Testimony of Bonita A. Pearce, which consists of
20 26 pages of narrative text and attached Schedules
21 14.01N and P, 14.02P, 14.03N and P through 14.04N
22 and P -- I'm sorry. I saying 14.4. Sorry about

1 that. 4.05P and Attachments A and B?

2 (Document marked as Staff

3 Exhibit No. 4.0 for

4 identification.)

5 BY THE WITNESS:

6 A. Yes, I do.

7 BY MR. FEELEY:

8 Q. And, Ms. Pearce, do you have in
9 front of you another document that has been marked
10 for identification as Rebuttal Testimony of Bonnie
11 Pearce, consists of 23 pages of narrative text and
12 attached Schedules 14.01N and P, 14.02P, 14.03N
13 and P and Attachment A?

14 A. Yes.

15 (Document marked as Staff

16 Exhibit No. 14.0 for

17 identification.)

18 BY MR. FEELEY:

19 Q. Were Staff Exhibit's 4.0 and 14.0
20 and attached schedules prepared by you or under
21 your direction, supervision and control?

22 A. Yes.

1 Q. Do you have any additions, deletions
2 or modifications to make to Staff Exhibit 4.0 and
3 14.0?

4 A. No.

5 Q. If I were to ask you the same series
6 of questions set forth in this document, would
7 your answers be the same?

8 A. Yes.

9 MR. FEELEY: Your Honor's, I would
10 note that 4.0 was filed on E-docket on November
11 20th and 14.0 was filed on January 16th. At this
12 time, staff would move to admit into evidence The
13 Direct Testimony of Bonita A. Pearce Staff Exhibit
14 4.0 and Schedules 4.01N and P, 4.02P, 4.03N and P
15 through 4.04N and P, 4.05P and Attachments A and B
16 and for the rebuttal, Staff Exhibit 14.0 and
17 Schedules 14.01N and P, 14.02P, 14.03N and P and
18 Attachment A.

19 JUDGE DOLAN: Any objections?

20 MS. SCARSELLA: No objections.

21 JUDGE DOLAN: Hearing none, Staff
22 Exhibit 4.0 and Schedules 4.01N and P, 4.02P 4.03N

1 and P, 4.04N and P and 4.05P along with
2 Attachments A and P will be admitted into the
3 record and Staff Exhibit 14.0 along with Schedules
4 14.01N and P, 14.02P and 14.03N and P along with
5 Attachment A will be admitted into the record.

6 MR. FEELEY: Ms. Pearce is available
7 for cross-examination.

8 MS. SCARSELLA: Your Honor's, the
9 utilities have waived cross of Ms. Pearce in lieu
10 of submitting a data request response into the
11 record. So if I can do that at this time before
12 Ms. Lusson begins.

13 JUDGE DOLAN: Yes.

14 MS. SCARSELLA: The utilities would
15 like to move into the record the response to data
16 response BAP 27.02.

17 MR. FEELEY: Staff has no objections
18 to the admission of the response of BAP 27.02.

19 JUDGE DOLAN: I believe that's going
20 to be --

21 MS. SCARSELLA: It will be NS PGL
22 Cross Exhibit 14.

1 (Document marked as NS PGL
2 Exhibit No. 14 for
3 identification.)

4 JUDGE DOLAN: Then NS PGL Cross
5 Exhibit 14 will be admitted into the record.

6 Ms. Lusson, are you ready?

7 MS. LUSSON: Yes.

8 C R O S S E X A M I N A T I O N

9 BY MS. LUSSON

10 Q. Good afternoon, Ms. Pearce.

11 A. Good afternoon.

12 Q. My name is Karen Lusson. I'm from
13 the Attorney General's Office. I just have a few
14 questions for you today about your adjustment
15 related to invested capital taxes and your
16 adoption or agreement with Ms. Moy's methodology
17 for calculating that.

18 So these questions deal
19 essentially with your testimony at pages 19
20 through 21 of your rebuttal. First, let me ask
21 you generally. Do you agree that the proper
22 selection and consistent application of the test

1 year is important so that all of the components of
2 the revenue requirement, including rate base,
3 operating expenses, capital costs and sales or
4 billing determinants are holistically analyzed and
5 quantified in a balanced and internally consistent
6 manner so that those revenue requirement elements
7 are matched so to speak?

8 A. I guess I'm not really sure what you
9 mean by internally consistent. Do you mean
10 internally consistent in the sense that all the
11 elements of the revenue requirement are consistent
12 or are you talking about internally consistent
13 with something else?

14 Q. So that they're examined by the
15 Commission in a consistent manner in terms of how
16 it measures rate base, how it measures operating
17 expenses, how it -- how it examines cost of
18 capital and revenues within the test year period.

19 A. That's a very general conceptual
20 type of question. Generally speaking, I don't
21 disagree, but I think there's a matter of debate
22 about what would be consistent and how some of

1 those items would be defined.

2 Q. Okay. Fair enough.

3 MS. LUSSON: Look at, if you would,

4 Mr. Allen, if you could hand --

5 BY MS. LUSSON:

6 Q. First, before we do that. When you
7 state at line 440 that you agree with
8 Mr. Stabile's position that the calculation should
9 be updated, but not by using a methodology based
10 on 2012 information that excludes derivative
11 impacts of the 2013 test year, can you tell us
12 what you mean by derivative impacts as used there?

13 A. I think if you continue on in that
14 line 442 and a new sentence begins and explains
15 that it's because the amount of invested capital
16 tax will increase to reflect the additional
17 investment that results from rates that are
18 ultimately approved by the Commission in this
19 proceeding.

20 Q. So are these the capital structure
21 impacts that will accumulate after new rates are
22 effective from the Commission's order?

1 A. Yes.

2 MS. LUSSON: Mr. Allen, if you could

3 show Ms. Pearce a copy of the -- of staff's

4 response to AG data request 1.04.

5 BY THE WITNESS:

6 A. I have got it.

7 BY MS. LUSSON:

8 Q. Ms. Pearce, do you recognize this to

9 be a copy of staff's response to AG data

10 request -- AG staff data request 1.04?

11 A. Yes, I do.

12 Q. And was this response prepared by

13 you or under your supervision?

14 A. Yes.

15 Q. Are the answers reflected therein

16 still accurate today?

17 A. Yes.

18 Q. Now, your response to part A talks

19 about increased investment that's estimated to

20 occur as a result of the 2013 future test year, do

21 you see that?

22 A. Yes.

1 Q. Does this increased investment
2 you're discussing result from the added earnings
3 in equity capital that is expected to be recorded
4 from the rate increase that is approved and
5 implemented around the middle of the year?

6 A. Hang on. I'm reading my response.
7 If you're asking me are the rates in this
8 proceeding going to take effect in the middle of
9 the year? Yes.

10 Q. Actually, my question was when you
11 referenced increased investment, are you
12 discussing the result from added earnings in
13 equity capital that would be recorded as a result
14 of the rate -- any rate increase that comes as a
15 result of this case after the order is issued?

16 A. In my response to A, I'm talking
17 about the fact that the investment is estimated to
18 occur as a result of the 2013 future test year.
19 The invested capital tax that reflects an
20 increased investment during the 2013 test year
21 will be due and paid in accordance with the final
22 payment requirements set forth by the Illinois

1 Department of Revenue. Specifically, those
2 requirements are that Form ICT-4 is due March 15th
3 following the end of the reporting year.

4 Estimated payments are due on
5 March 15th, June 15th, September 15th and December
6 15th. Therefore, it is my understanding that the
7 increased investment related to 2012 will be
8 reflected in the estimated payments during 2013 on
9 the due date set forth above. The first of which
10 is March 15th, 2013. The final payment of the
11 investment capital tax that is based on 2013
12 investment will be reflected when the Form ICT-4
13 for 2013 is due March 15th, 2014.

14 Q. And that final payment of investment
15 capital tax that is based on the 2013 investment I
16 think you indicated will become due in March of
17 2014?

18 A. Yes.

19 Q. And then looking at Part E there if
20 you can --

21 A. Yes, I have it.

22 Q. What do you mean by the phrase

1 "during the period these rates are in effect"? Is
2 that some period beyond the calendar year 2013?

3 A. I believe the rates that are set in
4 this proceeding will take effect around July 2013
5 and they'll remain in effect until another case is
6 filed.

7 Q. So when you reference --

8 A. Until -- I'm sorry. Until another
9 proceeding is approved and future rates are set.

10 Q. Okay. So, in other words, until the
11 next rate case is filed?

12 A. Yes.

13 Q. So when you reference during the
14 period these rates are in effect, you're talking
15 about that period between the date that the
16 Commission order and this case takes effect and
17 whenever new rates would take effect as a result
18 of a new rate case filing?

19 A. Yes.

20 Q. Okay. Would you agree that -- in
21 looking at Part B of your response --

22 A. Yes, I see it.

1 Q. -- is it correct that your
2 calculation, in fact, reaches beyond 2013 to
3 calculate the companies sales volumes or revenues
4 to be used in setting rates?

5 A. I don't know that I understand the
6 question. In my response, I say that I understand
7 the companies are required to file their invested
8 capital tax return on or before March 15 following
9 the end of the reporting year according to the
10 companies response --

11 THE COURT REPORTER: I'm sorry.
12 What?

13 JUDGE TEAGUE: Ms. Pearce, you might
14 have to start again. The court reporter --

15 THE COURT REPORTER: Everything
16 after companies response.

17 MR. FEELEY: Just go a little
18 slower.

19 BY THE WITNESS:

20 A. I am reading my response to AG
21 1.04B. My answer was, yes, I understand the
22 companies are required to file their invested

1 capital tax return on or before March 15th
2 following the end of the reporting year.
3 According to the companies response, the staff
4 DR's BAP 5.03 supplemental attachment 01 the
5 companies record their monthly accrual journal
6 entries based on the previous years actual
7 liability, not the projected liability for the
8 current year. Also, the tax payments are based on
9 the previous years actual liability, not the
10 projected liability for the current year in
11 accordance with Safe Harbor Rules.

12 BY MS. LUSSON:

13 Q. Thank you. If you know, Ms. Pearce,
14 has the staff attempted to reach beyond 2013 to
15 calculate the companies savings from debt
16 refinancing transactions and a lower post 2012
17 cost of long-term debt to be used in setting
18 rates?

19 A. I don't know.

20 Q. Okay. I'd like to ask you a few
21 questions about the -- your agreement with
22 Mr. Stabile regarding the state income tax rate

1 change issue.

2 A. Okay.

3 Q. So as I understand your testimony
4 you're adopting the methodology approved in Docket
5 83-0309 or finding it to be reasonable?

6 A. I'm not adopting it -- could you
7 point to a reference in my response testimony?

8 Q. Sure. 459. Line 459 page 21.

9 A. Okay. Right. My testimony states
10 based on my understanding Mr. Stabile's rebuttal
11 testimony I find the utilities application of the
12 methodology approved in Docket No. 83-0309 to be
13 reasonable.

14 MS. LUSSON: Mr. Allen, if you could
15 show Ms. Pearce the next exhibit which is the
16 response to AG 1.05.

17 BY THE WITNESS:

18 A. I have that.

19 BY MS. LUSSON:

20 Q. First, let me clarify for the record
21 that the last data request, the response --

22 staff's response to AG 1.04 should be marked as AG
646

1 Cross Exhibit 19 and this one is -- we'll mark as
2 AG Cross Exhibit 20.

3 (Documents marked as Staff
4 Exhibit No.'s 19-20 for
5 identification.)

6 BY MS. LUSSON:

7 Q. Ms. Pearce, do you recognize this to
8 be staff's response to AG data request 1.05?

9 A. Yes, I do.

10 Q. And was this response prepared by
11 you or under your supervision?

12 A. Yes.

13 Q. And is the answer that is contained
14 therein still the same today?

15 A. Yes.

16 MS. LUSSON: Thank you, Ms. Pearce.
17 I have no further questions and I would move for
18 the admission of AG Cross Exhibits 19 and 20.

19 MR. FEELEY: Can we reserve ruling
20 on these until I have a discussion with my client?

21 JUDGE DOLAN: Sure. Go off the
22 record.

1 (Whereupon, a break was taken
2 after which the following
3 proceedings were had.)

4 JUDGE DOLAN: Back on the record.

5 MR. FEELEY: Your Honor, staff has
6 no objection to AG Cross Exhibit 19 and AG Cross
7 Exhibit 20 and we have no redirect.

8 JUDGE DOLAN: Okay. Then AG Cross
9 Exhibit's 19 and 20 will be admitted into the
10 record and you're excused, Ms. Pearce. Thank you.

11 THE WITNESS: Thank you.

12 JUDGE DOLAN: All right. Then at
13 this point do we have some exhibits to put in? We
14 have no other witnesses.

15 MR. O'BRIEN: Yes, your Honor. The
16 people would like to move into the record the
17 testimonies of Mr. Effron and Mr. Rubin by
18 affidavit. Those --

19 JUDGE DOLAN: Go ahead.

20 MR. O'BRIEN: Great. Thank you.

21 The people would like to move into the record AG
22 Exhibit 2.0, The Direct Testimony of David J.

1 Effron filed on E-docket November 20th, 2012. AG
2 Exhibit 2.1, schedules and attachments of David J.
3 Effron filed on E-docket November 20th, 2012.

4 (Document marked as AG Exhibit
5 No. 2.0 for identification.)

6 MR. O'BRIEN: AG Exhibit 5.1
7 schedules and attachments of David J. Effron both
8 public and confidential versions filed on E-docket
9 January 16th, 2013. AG Exhibit 5.2 schedules and
10 attachments of David J. Effron, public and
11 confidential versions, filed on E-docket January
12 16th, 2013, and Mr. Effron's affidavit will be
13 marked as AG Exhibit 5.3 and that will be filed on
14 E-docket this afternoon.

15 (Document marked as AG Exhibit
16 No. 5.0 for identification.)

17 JUDGE DOLAN: Any objections?

18 MS. KLYASHEFF: No objections.

19 JUDGE DOLAN: All right. Thank you.

20 AG Exhibit 2.0 along with AG Exhibit's 2.1
21 schedules and attachments will be admitted into
22 the record. AG Exhibit 5.0 along with Exhibit 5.1

1 public and 5.1 confidential and AG Exhibit 5.2
2 public and confidential will be admitted into the
3 record and then AG Exhibit 5.3 will be admitted
4 into the record. Thank you.

5 MR. O'BRIEN: Thank you, your Honor.
6 And just to clarify I don't know if I had
7 mentioned it or if it was on our exhibit list, but
8 Mr. Effron's rebuttal testimony, which is AG
9 Exhibit 5.0, also consists of a confidential and a
10 public version.

11 JUDGE DOLAN: 5.0 does?

12 MR. O'BRIEN: That's correct.

13 JUDGE DOLAN: We'll add that to the
14 record that AG Exhibit 5.0 is both a confidential
15 and public version. Thank you.

16 MR. O'BRIEN: Thank you, your Honor.
17 People at this time would also like to move into
18 the record AG Exhibit 3.0. The Direct Testimony
19 of Scott J. Rubin filed on E-docket November 20th,
20 2012. AG Exhibit's 3.1 3.2, 3.3, 3.4, 3.5, 3.6,
21 3.7, 3.8, 3.9 and 3.10 which are schedules and
22 attachments to Scott J. Rubin filed on E-docket

1 November 20th, 2012.

2 (Document marked as AG Exhibit
3 No. 3.0 for identification.)

4 MR. O'BRIEN: AG Exhibit 6.0
5 Rebuttal Testimony of Scott J. Rubin filed on
6 E-docket January 16th, 2013. AG Exhibit 6.1, 6.2,
7 6.3 and 6.4, which are all schedules and
8 attachments of Scott J. Rubin filed on E-docket
9 January 16th, 2013, and Mr. Rubin's affidavit will
10 be marked AG Exhibit 6.5 and that was filed on
11 E-docket yesterday February 6th.

12 (Document marked as AG Exhibit
13 No. 6.0 for identification.)

14 JUDGE DOLAN: Any objections?

15 MS. KLYASHEFF: No objections.

16 JUDGE DOLAN: All right. Hearing
17 none, AG Exhibit 3.0 along with AG Exhibit's 3.1
18 through 3.10 will be admitted into the record and
19 then AG Exhibit 6.0 through 6.4 will be admitted
20 into the record and AG Exhibit 6.5 will be
21 admitted into the record. Thank you.

22 MR. O'BRIEN: Thank you, your Honor.

1 MS. LUSSON: Your Honor, I just
2 wanted to make one clarification. I referenced it
3 yesterday regarding the admission of Mr. Brosch's
4 testimony. I think I indicated yesterday that, in
5 fact, one of the rebuttal schedules, Mr. Brosch's
6 AG Exhibit 4.1, where Peoples Gas included a
7 derivative adjustment from Mr. Effron's CWIP
8 adjustment, which is -- which included
9 confidential numbers. I just had a discussion
10 with Ms. Scarsella this morning and she indicated
11 that, in fact, those numbers still are proprietary
12 and so I would ask that the record reflect that
13 both -- we move into admission both the
14 proprietary and the public version of Mr. Brosch's
15 Schedule 4.1 because I don't think I made that
16 designation or that distinction yesterday.

17 JUDGE DOLAN: And that's the
18 companies understanding?

19 MS. SCARSELLA: Yes, your Honor.

20 JUDGE DOLAN: It's strictly
21 Mr. Brosch's Schedule 4.1?

22 MS. LUSSON: Correct. He had no

1 propriety information in the actual text of his
2 testimony.

3 JUDGE DOLAN: So Mr. Brosch's
4 Schedule 4.1 will be admitted into the record as
5 both a confidential and public version.

6 MS. LUSSON: Thank you.

7 MS. KLYASHEFF: Your Honor's, with
8 respect to Mr. Rubin's testimony which he just
9 admitted, in lieu of cross-examination the
10 utilities wish to move for the admission of a
11 cross exhibit consisting of five data responses to
12 company data requests.

13 JUDGE DOLAN: Okay.

14 MS. KLYASHEFF: And those responses
15 would be identified NS PGL Cross Exhibit 15.

16 JUDGE DOLAN: Is there objections to
17 NS PGL Cross Exhibit 15?

18 (Document marked as NS PGL
19 Exhibit No. 15 for
20 identification.)

21 MS. LUSSON: No, your Honor. I had
22 a discussion earlier with Ms. Klyasheff and we

1 have no objection.

2 JUDGE DOLAN: NS PGL Cross Exhibit
3 15 will be admitted into the record.

4 MS. SCARSELLA: At this time, your
5 Honor, Peoples Gas and North Shore would like to
6 move into the record the direct and rebuttal
7 testimony of Thomas L. Puracchio,
8 P-U-R-A-C-C-H-I-O. He filed direct testimony
9 which is identified as PGL Exhibit 15.0 with
10 Attachments 15.1, 15.2, which are confidential and
11 public versions, 15.3, which has confidential and
12 public versions, 15.4, which has confidential and
13 public versions, and 15.5 and rebuttal testimony
14 which is identified as NS PGL 35.0 and his
15 affidavit was filed yesterday and is identified as
16 NS PGL 35.1.

17 (Document marked as NS PGL
18 Exhibit No. 35.0 for
19 identification.)

20 JUDGE DOLAN: Any objections? Okay.
21 Then PGL Exhibit 15.0 along with PGL Exhibit 15.1
22 will be admitted into the record. PGL Exhibit's

1 15.2 through 15.4, both confidential and public
2 versions, will be admitted into the record and PGL
3 Exhibit 15.5 will be admitted into the record
4 along with NS PGL Exhibit 35.0 will be admitted
5 into the record.

6 MS. SCARSELLA: And, finally, your
7 Honor, yesterday I believe Mr. Moul's testimony
8 was moved into the record. His affidavit was
9 filed yesterday and is identified as NS PGL
10 Exhibit 39.1.

11 JUDGE DOLAN: Any objections? Okay.
12 NS PGL 39.1 will be admitted into the record.

13 MS. SCARSELLA: And I apologize. I
14 don't know if you moved Mr. Puracchio's affidavit
15 which was identified as NS PGL Exhibit 35.1.

16 JUDGE DOLAN: You're right. I
17 didn't. Mr. Puracchio's -- NS PGL Exhibit 35.1
18 will also be admitted into the record. Do we have
19 any --

20 MS. PALMER: Yes, staff has a few
21 affidavits to move in. I'm going to start. My
22 colleagues Jessica Cardoni and Nicole Luckey are

1 going to follow up. Staff would like to move for
2 admission into the record the affidavit in support
3 of staff witnesses Diana Hathhorn, Alicia Allen
4 and Rochelle Phillips previously filed on
5 E-docket.

6 The affidavit of Diana Hathhorn
7 which has been marked as Staff Exhibit 11.1 was
8 filed on E-docket on February 4th, 2013. This
9 affidavit supports a direct testimony which was
10 marked as Staff Exhibit 1.0 and was filed on
11 November 20th, 2012, which includes Schedules 1.01
12 through 1.07N and P respectfully. This affidavit
13 also supports the rebuttal testimony which was
14 marked as Staff Exhibit 11.0 and was filed on
15 January the 16th, 2013, which includes Schedules
16 11.1 through 11.07N and P respectfully. The
17 affidavit of Alicia Allen which has been marked as
18 Staff Exhibit --

19 (Document's marked as Staff
20 Exhibit No.'s 1.0 and 11.0 for
21 identification.)

22 JUDGE DOLAN: Hold on.

1 MS. PALMER: You want one at a time,
2 Judge? I apologize.

3 JUDGE DOLAN: Any objections to
4 Ms. Hathhorn's testimony?

5 MS. SCARSELLA: No, your Honor.

6 JUDGE DOLAN: Then Staff Exhibit 1.0
7 along with Schedules 1.01N and P through 1.07N and
8 P will be admitted into the record. Staff Exhibit
9 11.0 along with Schedules 11.01N and P through
10 11.07N and P will be admitted into the record
11 along with Staff Exhibit 11.1.

12 MS. PALMER: The affidavit of Alicia
13 Allen, which was been marked as Staff Exhibit 9.1
14 and was filed on E-docket February 4th, 2013.
15 This affidavit supports the direct testimony,
16 which was marked as Staff Exhibit 9.0 and was
17 filed on November 20th, 2012, with no attachment
18 or schedules.

19 (Document marked as Staff
20 Exhibit No. 9.0 for
21 identification.)

22 JUDGE DOLAN: Any objections?

1 MS. SCARSELLA: No, your Honor.

2 JUDGE DOLAN: Staff Exhibit's 9.0

3 and 9.1 will be admitted into the record.

4 MS. PALMER: The affidavit of

5 Rochelle Phillips, which has been marked as Staff

6 Exhibit 22.1 and was filed on E-docket on February

7 4th, 2013. This affidavit supports the rebuttal

8 testimony, which was marked as Staff Exhibit 22.0

9 and was filed on January 16th, 2013, with no

10 attachments or schedules.

11 (Document marked as Staff

12 Exhibit No. 22.0 for

13 identification.)

14 JUDGE DOLAN: Any objections?

15 MS. SCARSELLA: No, your Honor.

16 JUDGE DOLAN: Then Staff Exhibit's

17 22.0 and the 22.1 will be admitted into the

18 record.

19 MS. CARDONI: Next, staff would move

20 for the admission into evidence of what has been

21 marked as Staff 19.0. The rebuttal testimony of

22 Darin Burk and Attachments 1, 2 and 3. We'd like

1 this to be admitted via affidavit, which is Staff
2 Exhibit No. 19.1.

3 (Document marked as Staff
4 Exhibit No. 19.0 for
5 identification.)

6 JUDGE DOLAN: Any objections?

7 MS. SCARSELLA: No, your Honor.

8 JUDGE DOLAN: Staff Exhibit 19.0
9 along with Attachments 1, 2 and 3 along with Staff
10 Exhibit 19.1 will be admitted into the record.

11 MS. CARDONI: Thank you. Next,
12 staff would move for the admission into evidence
13 Staff Exhibit 21.0, both public and confidential
14 versions. This is the rebuttal testimony of David
15 Sackett and includes Attachments A through P.
16 We'd like to admit this via affidavit which is
17 identified as Staff Exhibit No. 21.1.

18 (Document marked as Staff
19 Exhibit No. 21.0 for
20 identification.)

21 JUDGE DOLAN: Any objections?

22 MS. SCARSELLA: No, your Honor.

1 JUDGE DOLAN: Staff Exhibit 21.0,
2 public and confidential, along with Attachments A
3 through P and Staff Exhibit 21.1 will be admitted
4 into the record.

5 MS. LUCKEY: Staff moves for
6 admission into evidence the direct testimony of
7 Christopher L. Boggs, ICC Staff Exhibit 7.0, which
8 had no schedules or attachments and was filed on
9 E-docket on November 20th, 2012, and this is
10 supported by ICC Staff Exhibit 7.1, the affidavit
11 of Christopher L. Boggs, which was filed on
12 E-docket on February 4th, 2013.

13 (Document marked as Staff
14 Exhibit No. 7.0 for
15 identification.)

16 JUDGE DOLAN: Any objections?

17 MS. SCARSELLA: No, your Honor.

18 JUDGE DOLAN: Okay. Then Staff
19 Exhibit 7.0 and 7.1 will be admitted into the
20 record. That's it for today? Okay. Are we still
21 estimating about five hours tomorrow it looks
22 like?

1 MS. SCARSELLA: Yes.

2 JUDGE DOLAN: Okay. I still think
3 we probably -- is everyone okay starting at 10:00
4 again?

5 MS. LUSSON: Yes.

6 JUDGE DOLAN: Okay. We're entered
7 and continued until 10:00 a.m. tomorrow. Thank
8 you.

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